

Commonwealth of Massachusetts

**FY2007 Closing/FY2008 Opening
Instructions**

Issued By:

Office of the Comptroller

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Section One

Introduction and General Information

These instructions highlight the most important aspects of the Closing and Opening of MMARS. To find a specific subject, use the "Find" feature in the web browser to search for the topic. Please use these instructions along with the key date matrix and information given at the Closing and Opening workshops to assist you with Closing FY2007 and Opening FY2008. Please review e-updates and Close/Open updates posted on the [Comptroller's \(CTR\) Web Portal](#).

Close/Open Meeting

Chief Fiscal Officers (CFO) and staff with fiscal responsibilities are invited to attend the Office of Comptroller's annual Closing/Opening meeting. Please register at Comptroller's Training and Event Portal for the sessions below.

<p>General Overview Sessions Date: Thursday, May 3, 2007 9:00 – 9:30 A.M. Registration and Continental Breakfast 9:30 A.M. to 12:00 P.M. General Sessions Federal Reserve Bank Auditorium, 600 Atlantic Avenue, Boston, Massachusetts</p> <p>Date: Thursday, May 10, 2007 9:00 – 9:30 A.M. Registration and Continental Breakfast 9:30 A.M. to 12:00 P.M. General Sessions Hoagland-Pincus Conference Center, 222 Maple Ave., Shrewsbury (UMASS Worcester), Massachusetts</p>
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New, Consolidated, or Closing Departments

If your department is created, consolidated, closed, or modified in of the General Appropriation Act (GAA) or any other legislation, contact the Accounts Payable Bureau at CTR for a copy of the "New, Consolidated, or Closing Department Checklist." Transition meetings will be scheduled accordingly.

- Departments and Secretariats are reminded that any reorganization must be authorized in legislation and may not be accomplished administratively.
- Department Heads must certify that all departmental Staff work for the department and not any other Department. (M.G.L. c. 29, s. 31.)
- Programs cannot be transferred to other departments without legislative authorization.

Please note that all new staff must be properly trained and familiar with state finance law policies, including this document. The Governor's reorganization plan is in place. Departments that have moved to a different Secretary will be re-aligned in MMARS coincident with the opening of FY08. Interim reporting and security has been established for FY07 business.

Single Audit

CTR has engaged a new audit firm, KPMG, LLP to conduct the Commonwealth's Statewide Single Audit. Brock Romano is the audit partner for the Commonwealth. The contract period is for audit years 2007 through 2009 with optional years thereafter. Representatives from KPMG have been meeting with the departments that have a major audit presence to begin the FY2007 Single Audit. As in previous years, this audit will be a joint undertaking of the CTR, KPMG, and the Office of the State Auditor.

Internal Control

Internal controls are tools to assist a department in meeting its goals by identifying risks and establishing policies and procedures to mitigate those risks. The Office of the Comptroller, in cooperation with the Office of the State Auditor, has

defined the internal control plan to be a high level summary supported by lower level policy and procedures. The internal control plan should be reviewed annually or as conditions warrant.

The auditors will be reviewing internal controls both centrally (CTR and ITD) and at the department level. In preparation for this action, please review and, if necessary, update your internal control plan and supporting departmental policies and procedures.

Internal Control Questionnaire

The Internal Control Questionnaire (ICQ) is designed to give the Comptroller and auditors insight into departmental internal controls. It is divided into twelve sections that collect information on department business practices and a separate section that contains the department representations. The ICQ was issued on April 6th via Comptroller Memo # FY2007-21 and was due on or before April 20th.

Electronic Payments (ePay)

Part of the Commonwealth's eGovernment Initiative includes a contract to facilitate electronic payment implementation by departments. The Statewide Contract for Electronic Payment Processing Services (PRF05designatedOSC) gives eligible Commonwealth entities the option to offer their customers a variety of payment methods. Our customers may pay for goods, services and other obligations via Automated Clearing House transactions (ACH,) credit cards (VISA, MasterCard, Discover and/or American Express), and PIN debit cards. The "ePay" transactions can be processed over the web, over the phone via Interactive Voice Response (IVR), or at the point of sale. CTR, with designation from OSD, administers the contract.

All eligible entities' transactions processed under this Statewide Contract will be included in the Commonwealth's purchasing totals, which with increased use may result in volume discounts for the Commonwealth. Executive Offices, Departments, Agencies, Offices, Divisions, Boards, Commissions, or Institutions within the Executive Branch are required to use this contract. The Legislative Branch, the Judicial Branch, the Constitutional Offices, Elected Offices, Public Institutions of Higher Education, and the Military Division are not required, but may choose to use this Statewide Contract. Cities, towns, municipalities and State Authorities may also choose use this Statewide Contract.

All departments collecting Commonwealth revenue are required to comply with accounting standards established by the Comptroller to ensure that the revenue is properly accounted for and the collection methods comply with state finance law, including Payment Card Industry (PCI) Compliance and any additional banking requirements of the State Treasurer's Office. Departments that are collecting revenue electronically (that are not already working with the Electronic Payments Steering Committee) should contact CTR to verify compliance. Please contact [Patricia Davis](#), Epayment Program Coordinator.

The Statewide Contract for E-Pay has four (4) vendors:

1. EDS – a full service electronic payments processor that provides the Internet and IVR applications for electronic payments and partners with CoMerica Bank for ACH Banking network payments and partners with Bank of America for credit card payments.
- and three (3) credit card contractors:
2. Bank of America (BoA) – representing VISA and MasterCard credit card
 3. Discover Financial Services (Discover Card) and
 4. American Express (AMEX) -- who can process their own credit card transactions without going through Bank of America.

Departments can choose which payment options they want to use; they are not required by the contract to offer all forms of payment or credit card types. In addition, the same Department may have different programs requiring different payment solutions, card types, etc., all of which can be accommodated. Each department is solely responsible for designating appropriated funds to pay for their obligations.

Additional information on the contract is available at <http://www.comm-pass.com> by searching for PRF05designatedOSC. Or, contact [Patricia Davis](#).

VPA - NEW

CTR has added new functionality to MMARS to ensure that all Federal Grant payments and payroll activity references the correct appropriation account. MMARS has been enhanced with the implementation of following tables: (1) Valid Document Code for VPA Table – CDAPDC, (2) Valid Appropriation Program Combination – CDAPAP and (3) Valid Program/Appropriation Table - VPA. These tables create the Program/Appropriation/Transaction combinations that will be validated during processing for the following documents:

CA	EX	FT	GAX	IT	PH	PRLIF	PRRFP
CEC	FA	FX	GX9	ITA	PRADJ	PRLNP	RIN
CH	FC	GAE	IE	ITI	PRC	PRM	RPO
CT	FD	GAEC	IET	OT	PREXP	PRN	RQS
ER	FI	GAP	INP	PC	PRLDE	PRRFC	

Categorical Federal Grant Draw Non-Automated Central Draw (NCD) Processing

Currently there are categorical federal grants that are established in MMARS under the Non-Automated Central Draw (NCD) Process. These categorical federal grants will be reviewed by CTR to ensure that they contain specific prohibitive language that exempts them from being processed via the Automated Central Draw (ACD) Process. Beginning in FY2008, departments must submit specific documentation that supports establishing a categorical federal grant in MMARS under the Non-Automated Central Draw (NCD) Process.

Interim Budget

CTR and Administration and Finance will submit an Interim Budget request in the event that the GAA is not passed by the Legislature and signed by the Governor by July 1st. This will provide funding for the continuation of essential services across the Commonwealth. While no new programs or projects are supported as part of the interim budget, all routine department business to carry out department missions is included (i.e., payrolls, client benefits, leases, goods and services).

Once notified that the Interim Budget is signed, departments should proceed with routine business, including paying bills in 30 days. All activity conducted under an interim budget will be subject retroactively to the conditions and restrictions included in the GAA when signed into law. Departments must not undertake any activities which they have reason to believe will not be supported by the relevant appropriations and other provisions of the GAA, specifically, any obligations which are not supported by an appropriation that appears in both the House and Senate Budgets. Further detail on operating under an interim budget can be found in [Administrative Bulletin 9](#). If there is a question about whether an account will be funded, the CFO should confer with ANF.

In addition to ensuring the availability of sufficient funding to support an expenditure, departments are responsible for determining the appropriate object code classification and legal requirements for any planned expenditure from the [Expenditure Classification Handbook](#), PRIOR to incurring an obligation. Departments unable to identify a particular expenditure by object class and object code or having questions should contact CTR's Accounts Payable Bureau, Contracts Unit or Legal Unit for guidance.

Prompt Payment Discounts (PPD)

The Commonwealth has business relationships with thousands of business entities totaling billions of dollars, offering a significant base for Prompt Pay Discounts. It is mutually beneficial to negotiate and include Prompt Pay Discount terms in all new and amended contracts with all vendors/contractors. Contractors benefit from Prompt Pay Discounts because they result in improved cash flow and predictable payment stream for commodities or services rendered. The Commonwealth benefits because vendors/contractors reduce the cost of products and services through the applied discount. Departments must check the terms of discounts on department initiated contracts and statewide Master Agreements (MA) to identify the prompt payment discount options available to ensure maximum savings.

Departments should review and process all payment requests in MMARS in a timely manner. The goal of the Commonwealth is to process payments within 9 calendar days of invoice receipt. This goal will allow MMARS to take the maximum discount available or, if none was negotiated, will support the Commonwealth [Bill Payment Policy](#).

To assist with department analysis of payments made and discounts taken or missed, CTR Memo FY2007-20 provides starter queries that departments can run in the Commonwealth Information Warehouse (CIW). In addition, the report NAP630W is now available in DocDirect for a month end listing of discount opportunities missed.

Understanding the potential savings to the Commonwealth, CTR/OSD continue to work together promoting PPD to assist departments so that new/modified contracts will include standard discount terms. For further guidance on Prompt Payment Discounts please see the [Prompt Payment Discounts](#) policy.

Comments Field

This is a reminder that departments are required to use the comments field when submitting documents for approval, including LCM POAA rules. Documents for which the Comments Field is required include BGCN and BGCS (for Event Type BG06 and BG07), CEC, CT, ER, EX, GAEC, and PC. Comments are stored in the CIW. Documents submitted without comments will be rejected and returned to the departments. QAB will review use of Comments on all these transactions.

Commonwealth Benchmarking

Massachusetts is an award winner – Congratulations!

The National Association of State Auditors, Comptrollers and Treasurers (NASACT) announced that Massachusetts and two other states – Colorado and Mississippi – have been named as winners of NASACT Benchmark Achievement Awards for achieving top-quartile effectiveness in finance operations.

Next steps:

As identified in the initial report, Massachusetts could improve both efficiency and effectiveness in the areas of revenue and disbursement processing. The Office of the Comptroller initiated a second phase with The Hackett Group and Accenture through NASACT to perform an expanded review of Commonwealth's current processing state against industry best practices in each of these areas. Workgroups comprised of staff from various agencies developed a list of pain points and then reviewed best practices to mitigate the points identified. A whitepaper titled, Process Review – Cash Disbursements, Revenue Cycle, IT Briefs and Shared Services, was issued to the Commonwealth to further elaborate on the opportunities available to Commonwealth for process improvements in each of the studied areas. Each of these documents will be posted on our Portal.

Efforts to eliminate pain points and implement certain best practices are ongoing. In the revenue area the accounts receivable system now has EFT functionality and the e-pay improvements are underway. For cash disbursements, an enhanced VendorWeb is underway, training materials have been reviewed and clarified and the use of procurement cards for repetitive small dollar purchasing will be piloted.

PayInfo Implementation

In December of 2006, CTR added additional features to the PayInfo application, available to all departments in the Commonwealth. Currently, this application allows employees and contractors paid by HRCMS to access payroll information through the Internet 24 X 7, from where ever they are, at their convenience. Payroll information is available on the Thursday before the Friday payday. A number of enhancements have been made to PayInfo, including providing access to 30 pay periods of data and an unofficial online copy of the W2 Form.

Departments are encouraged to sign up for PayInfo. [Elizabeth Faherty](#) is available to assist your department with implementation.

Department Head Signature Authorizations (DHSA)/MMARS Security

Signature Authorization is incorporated into MMARS security. As a reminder, the CTR no longer requires departments to "file" these designations at CTR. As part of your annual Internal Control Review and Fiscal Year Opening responsibilities, Department Heads will need to verify the current security role designations associated with all staff. Please note that one of the duties of all new Department Heads is to designate authorized signatories. Therefore, once authorized signatories

are designated, signature authorization verification of security role will need to be performed by the Department Head, with the assistance of the Department Security Officer and CFO, at least annually.

Department Head Signature Authorization may NOT be delegated to a “contract” employee, to any “non-employee” (such as a consultant, or employee of an outside entity, an Authority or quasi-public agency) or to an employee of another department since these individuals may NOT act as agents of the Department Head.

Department Heads should be careful when assigning titles to “contractors” or “non-employees” that might be perceived as placing these individuals in a decision making role for the Department or in the position of supervising state employees. (See M.G.L. c. 29, § 29A.)

- Employees with “Administrator” security roles and signatory authority may bring a document to final phase by applying an electronic Department Head signature (without a written signature on the document).
- Individuals with “Administrator” security roles without signatory authority must obtain **evidence of DHSA**. MMARS functionality is designed to support extensive use of electronic signatures for DHSA purposes. Departments are encouraged to use this functionality to electronically document DHSA by encouraging signatories to access and view documents on-line and apply approvals. However, Department Head signoff can be made in a variety of ways and does not necessitate approval in MMARS or HR/CMS directly or screen prints of MMARS or HR/CMS screens. Departments can use the [MMARS Document Records Management/Signature Authorization Form](#) to approve one or multiple MMARS transactions. Emails from the Department Head (or authorized signatory) with the key data elements for approval; signature or initials on invoices, spreadsheets or memorandum, or other “evidence” of signoff is also sufficient. Departments may develop any internal process (as part of the Department Internal Control Plan) that efficiently “documents” Department Head signoff. Electronic evidence of approval such as emails must be printed and retained in order to document approval, since emails are not yet a sufficient electronic format to retain records. Once the evidence of DHSA approval is obtained, electronic approval can be made in MMARS, and filed for records management, Quality Assurance and audit purposes.

Shared Administrative Processing Does Not Mean Shared Department Head Signature Authorization

Each Department is legislatively mandated to perform duties as outlined in enabling legislation and the General Appropriation Act. Although Departments have flexibility to fulfill these mandates by “contracting” out for performance with outside contractors and with other state agencies under Interdepartmental Service Agreements (ISAs), the Department Head remains obligated for fulfilling these mandates, and these legislative obligations can not be “transferred” to another state agency without legislative authorization. ISAs are authorized only to enable two departments to fulfill a joint mandate, not to transfer a program or responsibility for performance to another state agency. Therefore, a Department Head can not transfer their decision making authority (signature authorization) to an employee of another department.

Some departments are moving towards consolidating processing of administrative functions, such as payroll and MMARS document processing using a “shared processing” model. Either by legislative authorization or through the use of Interdepartmental Service Agreements (ISAs) Departments are designating individuals to “process” documents in MMARS on behalf of multiple departments.

However, shared processing does not mean “shared approvals”. Department Head Signature Authorization can not be delegated to employees in another department, therefore, each Department is fully responsible for managing its business and signing off on all obligations, contracts, payroll, payments, etc. For example,

An employee of Department A can not assume the role of signing off or managing the business operations of Department B and can not act as a legal representative of Department B. Departments can work cooperatively to conduct joint procurements, and other administrative processes, but decision-making and the act of “incurring a legal obligation” such as signing documents, remains with the authorizing Department and can not be “assumed” by another Department.

Therefore, if Department A has Administrator security roles that allow “processing” documents to “final” status on behalf of Department B, these documents may not be processed to final without signoff of the document by an authorized signatory of Department B.

CTR will periodically review DHS and MMARS security as part of Quality Assurance reviews and Internal Controls.

Departments are responsible for compliance with the following policies related to Department Head Signature Authorization:

(Security) [Department Head Signature Authorization and Electronic Signatures for MMARS Documents](#)

(Security) [MMARS Security Policy](#)

(Contracts) [Delegation of MMARS Document Processing Authority and Quality Assurance](#)

Electronic Signature

An electronic signature takes the place of a “wet” signature when made in accordance with state and federal electronic signature requirements. Electronic signatures are limited to MMARS documents (and certain on-line bids through Comm-PASS) and may **NOT** be used for underlying supporting documentation (such as contract documents, or any other document requiring a department head signature.). Although state law authorizes electronic signatures, the Commonwealth is still in the process of developing standards for using electronic signatures, which will be issued by the Supervisor of Public Records and the Records Conservation Board, in cooperation with the Information Technology Division (ITD) and guidance from CTR.

Contract Options to Renew\Extensions, Amendments and Settlements

Section Six outlines several important policy changes and clarifications related to contracts and amendments.

1. The Standard Contract Form and the Standard Contract Amendment Form are being consolidated into a single form.
2. Start Date in the Standard Contract and Amendment Date should be inserted to reflect the “actual” date obligations are incurred.
3. If the latest Execution and required approval date (Effective Date) is AFTER the listed START DATE, the department is required to select whether:
 - No obligations were incurred until on or after the effective date, OR
 - Performance incurred prior to the effective date and is included as a Settlement as part of the Contract/Amendment.
4. Clarifies use of Contract Extensions and Options to Renew
5. Extensions and amendments will be allowed even if made after the termination date of a contract.
6. Performance made outside the scope of a contract (prior to execution dates of contract, amendment or confirmation of contract extension) that is intended to be compensated may be identified and paid:
 - a. using a separate Settlement and Release Form (current practice), OR
 - b. as part of Standard Contract and Amendment Form

Interface Coding

The correct fiscal year dates must be included on all interface files representing either FY2007 or FY2008 transactions.

For files containing FY 2007 transactions sent through June 30th, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2007

AFP (Accounting Fiscal Period) = 12

BFY (Budget Fiscal Year) = 2007

For files containing FY 2007 transactions sent after June 30th, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2007

AFP (Accounting Fiscal Period) = 13

BFY (Budget Fiscal Year) = 2007

For files sent containing FY 2008 transactions, the following fields need to be populated:

AFY (Accounting Fiscal Year) = 2008

AFP (Accounting Fiscal Period) = 01

BFY (Budget Fiscal Year) = 2008

MMARS DOC ID Numbering

This is a reminder that MMARS DOC IDs should be composed of numeric or alphanumeric characters only. Department use of symbols, spaces and other non-alphanumeric characters may result in transactions becoming "locked". This means that transactions on "pending" status, cannot be opened, rejected or approved. Furthermore, document IDs that contain symbols or spaces cannot be retrieved in warehouse queries and query-based reports. If departments choose not to use the auto-numbering feature in MMARS, they should conform to the numeric/alphanumeric standard, and make the document ID meaningful to the department.

Public Information and Privacy Concerns

It is important to provide payees with remittance information that will facilitate proper payment application to their receivables. When negotiating a contract establish a mutually agreeable data structure to communicate goods delivered or services rendered. Since these fields are a matter of public record MMARS doc IDs (encumbrances, payments, etc.), vendor invoice numbers, contract numbers, check descriptions, and any comment fields **MUST NOT** contain personal information (such as individual's names, SSN numbers, bank account numbers, date of birth, addresses etc.) or other information that could jeopardize privacy or facilitate identity theft. MMARS doc IDs and key comment fields may be printed on checks, sent electronically as part of remittance advice, and will appear on VendorWeb (and may be viewed related to public records requests), therefore care must be taken that individual personal information is not used.

Information Delivery

Standard reports produced from the MMARS system as well as from the Commonwealth Information Warehouse (CIW) will be published for both Budget Fiscal Years 2007 and 2008 until FY 2007 is closed. There are some MMARS reports via the CIW web portal that will display both open fiscal years in the same report version. There are no special preparations that CIW end-users need to make to their queries in advance of the fiscal year roll. MMARS data in the CIW has been structured to present data for all fiscal years through common views.

MMARS Reports

MMARS offers a standard set of reports for ongoing financial management, operations and reporting. Reports that are based on the source system (identified by an "S" in the seventh position of the report ID) are accessible through the [Document Direct web portal](#). Reports that are based on the Commonwealth Information Warehouse (CIW) (identified by a "W" in the seventh position of the report ID) are available via the Document Direct web portal as well as via the CIW Web Portal. Please see the [MMARS and CIW Reports Policy](#).

CIW Support

Training in the use of MMARS HR/CMS payroll data in the CIW is provided by CTR. Details related to this training may be found at the [CTR Web Portal](#). End-users may also call Commonhelp at 1-866-888-2808 for questions about MMARS data in the CIW and for assistance with their queries of the data.

The CIW team hosts quarterly User Group Meetings; dates and planned agendas are posted on the [CIW website](#). In addition, users may bring their query questions to scheduled drop-in sessions for assistance. Details regarding time and locations for these sessions are also available on the CIW website as well as the CTR Web Portal.

Department Resources

Comptroller's Web Portal

The [Comptroller's Web Portal](#) is a web-based portal providing user support information, MMARS resources, and services for users. The CTR Web Portal is your "one-stop" information center for policies, procedures, fiscal updates, training, job aids, forms, and other resources needed to conduct departmental day-to-day business.

Helpdesk

The Help Desk is available for users with questions that cannot be answered using the CTR Web Portal. As a reminder, all calls must be channeled through the Help Desk to make sure issues are accurately logged and resolved, providing users with a single point of contact for support.

MMARS Helpdesk Hours of Operations

The Help Desk will be open Monday through Friday, 8:00 A.M. – 5:00 P.M. and can be reached by calling 617-973-2468.

MMARS On-line availability for Saturdays and Holidays

MMARS is available on state holidays that fall Monday through Friday but no cycle is run that night. Predictive payroll reports from LCM do run if the night is one of the scheduled predictive nights.

There is a significant amount of hardware and software infrastructure upgrade work that the Data Center needs to complete over the coming months. Since some of these tasks run a day or more, Saturday hours may be impacted. The e-Update and MMARS news will be used to communicate Saturday on-line availability.

Projected Closing Dates for Accounting Periods FY2007

Period 10 2007	May 12 th
Period 11 2007	June 9 th
Period 12 2007	July 17 th
Period 13 2007	Mid-September

Key Contacts

CTR maintains a database of department employees, formally appointed by a department head, who are responsible for the department's compliance with various aspects of state finance law. CTR uses this database to communicate information and relies on these individuals as the knowledge base of the departments in their areas of expertise. These employees are *appointments* by the department head with very specific duties. The duties of these employees are described in the document [Key State Finance Law Compliance Responsibilities](#). Please review the current list within your Department Head and forward any changes. We recommend that the Security Officer be responsible for managing Department Head Signature Authorizations approvals by the Department Head prior to giving security access.

The Internal Control Officer should be responsible for ensuring that the DHSA, MMARS security, and Key Appointments are up to date, both at the department and at the CTR. These responsibilities are vital for maintaining the series of reliance's CTR uses to approve the warrant. It is critical that departments notify CTR promptly of any changes so that we can accurately communicate information to your department.

Similar to Department Head Signature Authorization, appointments to these roles cannot be made to contractors, contract employees, non-employees or employees of another department, and should not be shared among multiple departments.

Chief Fiscal Officer (CFO)
Internal Control Officer (ICO)
MMARS Liaison
General Counsel

Payroll Director
Security Officer
GAAP Liaison
Single Audit Liaison

Section Two

Quality Assurance

Section Introduction

The mission of the Office of the Comptroller (CTR) is to increase the efficiency of back office operations across state government, thereby enhancing its delivery of services while ensuring a high level of accountability throughout the Commonwealth's financial operations and providing taxpayers assurance that tax dollars are spent as their elected officials intended.

The Quality Assurance Bureau assists the Office of the Comptroller mission by allowing the Comptroller to delegate the approval of low risk transactions without pre-audit, and monitoring this activity through review of department controls. As part of delegation, departments must adhere to the regulations, policies and procedures for all of their fiscal business.

Internal Controls

[Chapter 647 of the Acts of 1989](#), *An Act Relative to Improving the Internal Controls within State Agencies* establishes the minimum standards for internal controls, requires each department head to designate an internal control officer at the level of deputy or assistant agency head, and requires all unaccounted for variances, losses, shortages, or thefts of funds be reported to the Office of the State Auditor immediately. The Internal Control Officer (ICO) is responsible for ensuring the department has written internal controls, ensuring the written internal controls are reviewed annually or as conditions warrant, and evaluating and implementing audit recommendations. In addition, the CTR is required to develop internal control guidance. The Office of the State Auditor (OSA) includes internal controls in its audit plan and the CTR Quality Assurance Bureau includes them in its quality assurance review plan.

Internal controls are tools to assist a department in meeting its goals by identifying risks and establishing policies and procedures to mitigate these risks. The significance of a department's internal controls cannot be overstated. Properly documented, utilized and updated, internal controls assist managers in protecting the Commonwealth's assets and maintaining the public trust. An internal control plan encompasses the highest-level goals and risks of the department. This high level summary must be supported by lower level detail, specifically departmental policies and procedures. Many departments have used the following approach: First, identify mission, goals and objections. Then, use these goals to prepare a comprehensive risk assessment. Finally, use the results of the risk assessment to ensure that departmental policies and procedures exist to reduce the identified risks, or if they do not exist, establish them. To assist departments in the development of their internal control plans, CTR offers an [Internal Control Guide](#).

Internal Control Questionnaire

During times of change, internal controls are particularly crucial. The auditors will be reviewing internal controls both centrally (CTR and ITD) and at the department level. They will review department internal control plans and policies and procedures for updates resulting from the implementation of MMARS in May 2004. In preparation for this action, please review and, if necessary, update your internal control plan and supporting departmental policies and procedures. Department management must verify that all transactions, including those processed during the closing of one fiscal year and the opening of another, comply with laws, rules, and regulations. As in previous years, the Internal Control Questionnaire will be the first step in the internal control review process.

Departmental Quality Assurance Review

The CTR Quality Assurance Review Program is comprehensive – encompassing all fiscal transactions and CTR business areas. The program has two components – Departmental QA Review and Issue Specific Review. The Departmental QA Review validates, through the examination of documents, supporting referenced documentation and query results that the department's internal controls provide reasonable assurance that departments are adhering to Massachusetts State Finance Law and the policies and procedures issued by the Office of the Comptroller. The Issue Specific Review, on the other hand, focuses on a fiscal transaction or process across all departments in the Commonwealth.

Section Three

Managing Appropriations and the Roll of Appropriations from FY2007 to FY2008

Section Introduction

This section highlights management of accounts through the FY2007 closing / FY2008 opening process. This section provides detailed information regarding appropriations and balances of accounts that transition to FY2008. Account management should be a primary concern when scheduling transactions. It is the responsibility of the departments to coordinate Secretariat and Executive Office of Administration and Finance (ANF) approval for the prerequisite transactions.

CLOSING

Appropriation and Account Management

Expiring Capital Accounts

Departments are reminded that if accounts are not re-authorized by legislation as of July 1st, departments may not continue business including services of employees or contractors in these accounts. Contracts must be terminated or suspended, personnel must be terminated, or contracts or personnel must be transferred to other appropriate accounts authorized for these types of expenditures. Expenditures incurred against other accounts during this time may not be retroactively transferred to these accounts should the account be re-authorized unless specifically provided in the legislation. Please see [Expenditure Correction Policy \(EX\)](#) for restrictions.

Irregular Balances

For budgetary purposes, irregular balances are defined as negative uncommitted, unexpended, accrued cash or expended cash balances in the MMARS budget query (BQ) screens. All budgeted and non-budgeted irregular balances MUST be resolved by June 30th unless specifically authorized in statute. All federal grant irregular balances must be resolved by September 30, 2007.

Budget Transfers

Transfers for budgeted funds must be authorized in either the department's enabling statute or in another legislative action. Transfers between appropriations (BGCN/BGCS) necessary for 2007 activity must be submitted to the General Accounting Bureau for review/approval by June 15, 2007. BGTS transactions are used to transfer between subsidiaries, and are approved for Executive Branch Departments by ANF.

Expenditure Adjustments

Expenditure Corrections (EX)

Expenditure Corrections are allowed when a department, through its reconciliation process, determines that a coding error has occurred. EX Documents are zero-sum documents, where the increase lines and decrease lines must net to zero. EX documents are submitted through workflow to the Comptroller's General Accounting Bureau. Departments must enter an explanation as to why the adjustment is needed in the Comments field of the EX. Documents submitted without Comments will be rejected.

For the specific conditions under which an EX is allowed, please refer to the [Expenditure Correction Policy \(EX\)](#).

EX Documents may not be used for payroll corrections. EX Documents needed to correct final 2007 activity must be submitted by August 31, 2007. Departments are reminded to use Budget Fiscal Year 2007, Accounting Period 13 2007 (for July 2007). Expenditure Corrections required in a federal grant account require special treatment. Please refer to the [Expenditure Correction Policy](#) for processing EXs against grant accounts.

Expenditure Corrections (PRADJ)

Expenditure Corrections for 2007 payroll activity must be entered into LCM as a LARQ. LARQs require overnight processing to then create the PRADJ in MMARS.

Departments should record the justification for the PRADJ in the Comments field.

All LARQ Documents for 2007 should be entered into LCM by August 31, 2007.

Expenditure Refunds (ER)

Cash deposits, which represent a refund from a vendor for a 2007 expenditure previously processed, must be deposited into the bank by noon of July 2, 2007 in order to update BFY 2007.

ER Documents for 2007 should be entered into MMARS by July 2nd. Departments are reminded to use BFY 2007, Accounting Period 13 2007.

The justification for the processing of an ER Document should be entered in the Comments field of the document. ER Documents are remitted through workflow to the General Accounting Bureau and ER Documents submitted without Comments will be rejected.

Refunds from a vendor for a 2007 payment received after July 1st should be deposited and credited to the General Fund as a prior year refund.

For additional guidance on ER processing, please refer to the [Expenditure Refund Policy \(ER\)](#).

Expenditure Refunds (PRRFC/PRRFP)

Payroll paid in error during 2007 and recovered from an employee must be deposited into the bank by noon of July 2, 2007 in order to update BFY 2007. Departments should immediately submit the PRRV form to the State Retirement Board for proper adjustment of the withholding and entry into HR/CMS. The adjustment into HR/CMS will update the Labor History in LCM and create a PRRFC (current year) or PRRFP (prior year) Document in MMARS. CTR General Accounting will match the PRRV and PRRFC/PRRFP and complete the document.

For additional guidance please refer to the [Job Aid for the PRRV](#).

Advance Refunds

As with any cash-based activity, Advance Refunds for 2007 should be deposited into the bank by noon of July 2nd. AR Documents for 2007 should be entered into MMARS by that date. AR Documents will submit through workflow for approval by the General Accounting Bureau.

The target date for completing 2007 repayments for advances is July 5th.

OPENING

Chart of Accounts

What is the Chart of Accounts?

Chart of Accounts data elements are the foundation of the financial management system. Changes to the department's Chart of Accounts need to be established prior to any FY2008 activity.

Considerations for Chart of Account Development:

The following questions should be considered in determining the right level of coding for your department:

- What organizational information did you report in 2007? Was it detailed properly or is additional information necessary?
- Is your department planning any major re-organization for 2008? Did your department undergo a re-organization during 2007?
- What functional information do you currently access? Do your reporting needs require you to review financial data by services your department provides?
- Do you spend from federal grants or capital appropriations?
- What information is requested by both internal and external entities that are difficult for you to provide?

Chart of Account Set-up – Departmental Budgets

About twenty departments choose to use Departmental Budgets, and if your chart of account set-up needs to change for FY2008, please contact [Rachel Carlson](#) at CTR. Departmental budgets require activities be done in sequence. Departmental budgets, either revenue or expense, MUST be established before any revenue or expenditure related document is processed. Departments planning to establish Departmental Expense budgets (structure 83 or 84) should submit any revisions to their Unit /roll-up Tables to the Comptroller by May 4, 2007. Reminder: changes requested for the addition of a new UNIT may not take effect immediately.

Chart of Account Set-up – Changes to other Departmental Elements

Any changes to chart of account elements controlled by Departments (i.e.: activity, function) must be submitted prior to May 7, 2007. Please submit changes to the Departmental Assistance Bureau, using the [Table Change Request Form](#) on the CTR Web Portal. A request to inactivate a code may not be feasible. A thorough analysis of all active documents should be completed by the department prior to any request of this nature. CTR reserves the right to defer requests for de-activation of any COA element pending analysis.

Departments that maintain departmental budgets (BQ 83, 84) should determine whether or not they want those budgets to roll into 2008. If you are changing UNIT codes or have determined not to budget at the same level in 2008, notify Rachel Carlson by 4/30/07.

Balances that Forward to FY2008

The first automated balancing forward of amounts in MMARS will be generated for Capital, Trusts, Non-Cash Trusts and Grant accounts (appropriation types 2CN, 3TN, 3TX and 4FN) after split week payroll and fringe and indirect charges for period 12 are processed. Fringe and Indirect processing is scheduled to occur the weekend of July 15, 2007. The automated process for balance forward is scheduled on or about July 20, 2007. Thereafter, the process will occur weekly.

The process will not occur in the Budgeted and Intergovernmental appropriation types (1CS, 1CN, 1RS, 1RN, 1IS and 1IN) where the original authorization has expired, unless authorized in successive legislation and only in amounts allowed by that legislation. For Budgeted Appropriations, the process will occur manually upon enactment of the GAA or any subsequent legislation providing such authorization. Departments with budgeted continuing appropriations should contact the Accounting Bureau regarding the balance forward process.

CTR will be responsible for validation and verification of funds that have balanced forward. The verification will begin in the middle of July 2007.

Program Budgets (structure 87) and Reimbursable Grant Budgets (structure 88) do not need to roll from 2007 to 2008 since these budgets do not contain a Budget Fiscal Year (BFY). Therefore, all activity for 2008 will add to activity already

posted for 2007. If, for any reason, a department wishes to segregate this activity by BFY, options would include adding a separate line with a different Program Code to represent the 2008 BFY. For grants, this is likely to be the Federal Fiscal Year (FFY). Major Program/Program Code additions for 2008 should be submitted with all COA changes by May 7, 2007. It should be noted that while activity for 2008 will add to the 2007 activity within these budget structures, information as to the activity by BFY is available in the Commonwealth Information Warehouse.

Retained Revenue Accounts

ANF will establish an estimated receipt ceiling via a BGCN or BGCS document in accordance with the GAA or an Interim Budget. This action updates the budgetary estimated receipts in the following inquiry screens: BQ81 (subsidiarized) and BQ89 (non-subsidiarized). This eliminates the need for individual document override requests to CTR. The establishment of estimated receipts is valid for FY2008. At any time during the fiscal year, if departments have reason to believe that actual collections will fall short of their initial projections, they must immediately notify ANF in writing.

Trust Accounts

Departments must enter the applicable BGCN or BGCS into MMARS and submit a letter to the CTR's Accounting Unit on department letterhead, signed by an authorized signatory, stating the projected fiscal year total receipts for each trust account. Requests will be reviewed by CTR. When the request is approved, CTR will process the department entered BGCN or BGCS to final status. This action updates the budgetary estimated receipts in the following inquiry screens: BQ81 (subsidiarized) and BQ89 (non-subsidiarized). This eliminates the need for individual document override requests to be made to CTR. The establishment of estimated receipts is valid for FY2008. At any time during the fiscal year, if departments have reason to believe that actual collections will fall short of their initial projections, they must immediately notify the CTR's Accounting Unit in writing.

Section Four

Federal Grants and Cost Accounting

Section Introduction

Federal Grants is defined as any financial assistance available to a state agency from the United States Government, distributed through a congressionally defined formula or awarded through a competitive process. The latter are termed categorical grants and are usually represented in MMARS as appropriation Type 4FN. All federal grant accounts must use the Reimbursable Grant budget structure (BQ88), which is not Budget Fiscal Year sensitive. The General Appropriation Act and/or the federal award letter determine the authorized amount for a federal grant. It is the responsibility of the Grantee to file timely reports with the awarding federal agency and to prevent expenditures from exceeding the amount of the award.

CTR has created a dedicated unit to assist departments in the daily management of their federal grant activity. The CTR Federal Revenue Bureau is committed to working with you to assist you with all of your federal grant related issues.

Massachusetts General Laws Chapter 29, Section 6B (Federal grant funds) and Administrative Bulletin A & F-3 (Federal Grant Administration) provide the authorization and guidance for the participation of a department to apply or participate in a federal grant. This law regulates the policy and procedures that departments must follow prior to going through the federal application process. It covers the main aspects of the "notification to apply" process: Administrative Bulletin A & F-3, Federal Grant Administration, outlines the requirements of Chapter 29:6B in a more readable and useable format.

The Cash Management Improvement Act (CMIA) provides the general rules and procedures for the efficient transfer of federal financial assistance between the federal government and the states. The Cash Management Improvement Act Agreement between the Commonwealth of Massachusetts and the Secretary of the Treasury, in the United States Department of the Treasury, is known as the Treasury-State Agreement (TSA). Each year, the Commonwealth enters into a TSA with the Financial Management Service (FMS), U.S. Treasury. Programs (CFDA#'s) required to be included in the agreement are those that meet the major program definition in the Statewide Single Audit. The Treasury-State agreement may be negotiated by the Office of the Comptroller (CTR) for a five-year period, but must be amended annually as programs meet or fail to meet, based upon a \$30,000,000 threshold of federal assistance during the previous fiscal year per CFDA#.

VPA - NEW

CTR has added new functionality to MMARS to ensure that all Federal Grant payments and payroll activity references the correct appropriation account. MMARS has been enhanced with the implementation of following tables: (1) Valid Document Code for VPA Table – CDAPDC, (2) Valid Appropriation Program Combination – CDAPAP and (3) Valid Program/Appropriation Table - VPA. These tables create the Program/Appropriation/Transaction combinations that will be validated during processing for the following documents:

CA	EX	FT	GAX	IT	PH	PRLIF	PRRFP
CEC	FA	FX	GX9	ITA	PRADJ	PRLNP	RIN
CH	FC	GAE	IE	ITI	PRC	PRM	RPO
CT	FD	GAEC	IET	OT	PREXP	PRN	RQS
ER	FI	GAP	INP	PC	PRLDE	PRRFC	

Establishing/Modifying a Federal Grant in MMARS

Specific guidance on how to establish/modify categorical federal grants in MMARS is posted on [How to Complete Federal Grant Documentation](#) ~~www~~ tab in the Federal Grants and Cost Accounting section of the [CTR Web Portal](#). To assure compliance with federal CMIA requirements, all categorical grant federal funds must be established and processed through the Automated Central Draw (ACD) process. All categorical federal grants set-up packages must be forwarded to the Federal Grants and Cost Allocation Bureau for CTR review and approval. The Commonwealth's Automated Central Draw (ACD) process is detailed below:

1	On Friday night, after the warrant select has been processed, 3 jobs are executed in the nightly cycle. Job#1- Reimbursement Generation finalizes the selection of reimbursement-eligible transactions. Job#2 - Negative Draw Prevention nets all draw-eligible activity so that draw requests by department/appropriation (department/program) are positive. Job #3- Reimbursement Output creates (1) A draw report displaying amount by payment system, by letter of credit and sub-account, (2) RE's (3)CD's
2	OSC accesses the various federal payment systems and attempts to draw the amounts listed on the CMIA Weekly Draw Status Report.
3	For successful draw: (1) note draw date on CMIA Weekly Draw Status Report, (2) screen-print confirmation notice. For unsuccessful draw: (1) note reject reason on CMIA Weekly Draw Status Report, (2) screen-print reject notice (when applicable).
4	OSC forwards to the Office of the Treasurer (TRE) the CMIA Weekly Draw Status Summary Report detailing the successful and unsuccessful draw requests.
5	TRE reconciles the federal cash receipts to the successful draw amounts on the CMIA Weekly Draw Status Summary Report and notifies OSC to forward the CD reversal information to TRE.
6	OSC then prepares and forwards the CD Reversal's To Be Entered Report and the Central Draw Reject Report to TRE.
7	TRE enters the CD reversals into FMS, and forwards two files to MMARS (1) Original Reimbursement Generation CD file and (2) CD reversal file.
8	OSC ensures all CD transactions are processed in MMARS.
9	OSC posts the (1) CMIA Weekly Draw Status Report and the (2) Historical CMIA Weekly Draw Status Report to the Comptroller's website.

ACD draw statistics from 7/1/04 through 1/12/07

Payment System	Draw Requests	Draw Amount
D- EDCAPS	7,736	\$1,750,279,542.46
E- ECHO	707	\$17,435,747.43
L- JUSTICE	5,613	\$188,667,448.84
S- SMARTLINK	15,335	\$959,203,177.70
Z- ASAP	4,327	\$748,935,366.48
	33,718	\$3,664,521,282.91

FY2007 Rejected ACD Grant Draws

During the course of the year, some ACD federal draw requests reject. These draw requests fail for various reasons, the most common are insufficient funds or sub account is not listed. The CTR Federal Grant Unit posts all of the rejects on the [CMIA Weekly Draw Status Reports page](#) of the Federal Grants and Cost Accounting section of the [CTR Web Portal](#). Departments must review all rejected draws and develop a remediation plan in consultation with the CTR Federal Grant Unit. All FY2007 rejected grant draws must be cleared by 9/30/2007. For FY2008, the CTR Federal Grant Unit will be implementing a revised procedure that will expedite the processing of the rejected draw remediation plan. ACD draw statistics from 7/1/04 through 1/12/07

Payment System	Draw Requests	FY05 Rejects	FY06 Rejects	FY07 Rejects
D- EDCAPS	7,736	495	818	278
E- ECHO	707	82	77	152
L- LOCES/PAPRS	5,613	796	1607	158
S- SMARTLINK	15,335	692	418	130

Z- ASAP	4,327	432	468	55
	33,718	2,497	3,388	773

Categorical Federal Grant Draw Non-Automated Central Draw (NCD) Processing

Currently there are categorical federal grants that are established in MMARS under the Non-Automated Central Draw (NCD) Process. These categorical federal grants will be reviewed by CTR to ensure that they contain specific prohibitive language that exempts them from being processed via the Automated Central Draw (ACD) Process. Beginning in FY2008, departments must submit specific documentation that supports establishing a categorical federal grant in MMARS under the Non-Automated Central Draw (NCD) Process.

Cross Fiscal Year Transaction Posting

ACD revenue transactions will be posted to MMARS consistent with the Budget Fiscal Year of the source expenditure disbursement document. BFY2007 accounts payable expenditure document that is disbursed on July 11, 2007 the auto generated Cash Deposit (CD) will post the corresponding revenue to the BFY2007 Revenue Budget (BQ82). This will ensure that the expenditures (BQ89) and revenue (BQ82) will be posted to correct fiscal year. In addition, departments must ensure that the MMARS program end date is reflective of any allowable accounts payable period.

NCD revenue transactions must be posted to MMARS consistent with the Budget Fiscal Year of the source expenditure disbursement document. BFY2007 accounts payable expenditure document that is disbursed on July 11, 2007 and manually drawn by TRE on July 15, 2007 must be posted to the BFY2007 Revenue Budget (BQ82). This will ensure that the expenditures (BQ89) and revenue (BQ82) will be posted to correct fiscal year. In addition, departments must ensure that the MMARS program end date is reflective of any allowable accounts payable period.

Reconciling FY2007 Negative (Irregular) Unexpended Balances

To successfully close the fiscal year, all FY2007 Federal Grant Appropriations (appropriation type 4FN) must have a BQ89 Unexpended balance of zero. The main reason that an appropriation has a negative unexpended balance is that the Commonwealth did not receive revenue equal to total of processed federally reimbursable expenditures or payroll transactions. State Finance Law ([General Laws Chapter 29 § 26](#)) requires that all appropriations (regardless of type) "shall not exceed the appropriations made therefore by the general court or the allotments made therefore by the governor." All Federal Grant Appropriations must have a BQ89 Unexpended Balance of zero at the close of each fiscal year.

To accomplish this goal the following steps will be taken:

Coordinate with the CTR Federal Grant Unit to take the necessary steps to collect all the revenue that is associated with their FY2007 expenditures. Monitor and document the collection of that revenue to ensure it is properly posted to the FY2007 account. If a department cannot resolve the negative unexpended balance they must contact the CTR Federal Grant Unit immediately to develop the appropriate remediation plan. All Federal Grant Appropriations must have a BQ89 Unexpended Balance of zero by the final grant draw for the federal fiscal year which is expected to occur on or before 9/23/2007 and received on or before 9/30/2007. If the Federal Grant Appropriations account remains in an "unfunded" status after the deadline the Comptroller reserves the right to prohibit any further spending from the appropriation account.

Reconciliation Process

Specific guidance on how to reconcile categorical federal grants MMARS is posted in the Federal Grants and Cost Accounting section of The Official Website of the Comptroller of the Commonwealth (OSC).

Schedule of Expenditures of Federal Awards - Subrecipient Monitoring

If your grant has subrecipients, monitoring must occur on these recipient by the grantor department. The General Accounting Bureau in conjunction with the Financial Reporting and Analysis Bureau will be asking applicable departments for information needed on subrecipients and other items to prepare the Schedule of Federal Financial Assistance (SFFA)

for the single audit of the Commonwealth. Please gather this information for presentation to the General Accounting Bureau, no later than **October 7, 2007**. This information will be requested separately on a specialized correspondence letter mailed to departments in May.

Schedule of Expenditures of Federal Awards – Other Items

The General Accounting Bureau and the Financial Reporting and Analysis Bureau will also be seeking information in preparation of the SEFA on a number of noted items including, but not limited to:

The Social Security Disability Insurance Program operated by the Massachusetts Rehabilitation Commission

Donated Food Value

Research and Development expenditures paid from federal awards.

Higher Education Only:

Higher Education Federal Financial Assistance Programs

Federal Family Education and Federal Direct Student Loans

Federal Perkins Loan Information

This information is also due on October 7, 2007 and will be requested in a specialized correspondence letter to be mailed to departments in May.

Recovery of Fringe Benefits and Indirect Costs

[Administration and Finance Bulletin No. 5](#), *Recovery of Fringe Benefits and Indirect Costs*, requires departments to budget fringe benefit and indirect costs on all Federal grants and non-budgeted special revenue and trust accounts.

Fringe benefits and indirect costs are not required to be encumbered and the charges will process regardless of the Expenditure Ceiling. To avoid negative balances at either year-end or upon termination of funding, departments must ensure that fringe benefits and indirect costs are adequately budgeted (including ISAs) for assessable expenditures posted to an open Accounting Period including the Accounts Payable Period.

Section Five

Vendor/Customer

Section Introduction

This section highlights the management of Vendors and Customers through the FY Opening process. The VCUST Table is not fiscal year driven. Continue to follow relevant guidance for additions or modifications to file. This section also highlights information on Tax Reporting responsibilities.

MMARS Document ID Numbering

This is a reminder that MMARS document IDs should be composed of numeric or alphanumeric characters only. Department use of symbols, spaces and other non-alphanumeric characters may result in transactions becoming “locked”. This means that transactions on “pending” status cannot be opened, rejected or approved. Furthermore, document IDs that contain symbols or spaces cannot be retrieved in warehouse queries and query-based reports. If departments choose not to use the auto-numbering feature in MMARS, they should conform to the numeric/alphanumeric standard, and make the document ID meaningful to the department.

VendorWeb

Vendors can see their scheduled payments and payment history by logging into [VendorWeb](#) on the [CTR Web Portal](#), which lists the tentative scheduled payment date for Scheduled Payments or the actual payment date, payment number, vendor invoice number, contract number, line amount, any associated text information and the department making the payment in the Payment History section.

DISRQ and DISBDQ

In MMARS scheduled vendor payments can be reviewed on the Disbursement Request Table, DISRQ. Issued vendor payments can be viewed on the Disbursement Detail Query table, DISBDQ, with several criteria as search options.

Prompt Pay Discounts

MMARS gives departments the ability to enter discount pricing percentages that will automatically calculate discounted payment amounts. Vendor discount information can be entered at three levels:

- At the encumbrance level
 - Statewide contract discount terms will be managed by OSD; and
 - Departments can enter terms negotiated for a specific contract.
- At the payment level – if noted on a vendor’s invoices, it should be entered on the individual payment.

Discount precedence applies when discount information is entered in more than one level. A discount at the payment request (PRC or GAX) level supersedes an encumbrance level discount. Please see the [Prompt Pay Discounts Policy](#).

W-9 Certification

In order to receive payments from the Commonwealth, a vendor must be registered in the Vendor/Customer (VCUST) Table of the state accounting system (MMARS). Departments are required to obtain a completed Massachusetts Substitute W-9 Form (Request for Taxpayer Identification Number and Certification) or an appropriate W-8 Form Series (W-8BEN, W-8ECI, W-8EXP and W-8IMY) for foreign vendors.

For Vendor registrations, departments should enter vendor's information through a Vendor Customer Creation (VCC) transaction based on W9 form information from vendor. Vendor should have a legal name, address and a Tax Identification Number. A TIN will either be:

- A Social Security Number (SSN) issued by the Social Security Administration (SSA) for individuals or
- An Employer Identification Number (EIN) issued by the IRS for sole proprietorships, trusts, estates, partnerships, corporations, non-profit organizations, and public entities.

For Customer registrations departments should make every effort to obtain a W-9. When entering a VCC/VCM for a customer, remember to put CUST in the first four positions of the document identification.

Like any other MMARS transaction, when a department submits a VCC or VCM to pending status, the authorized department head signatory is certifying that the document is accurate and complete, and that they have verified the information in the VCC or VCM. Merely obtaining a W-9 is not enough. CTR can not verify the information in a W-9 or W-8. Departments are in the best position to verify the accuracy of payee information because they are working directly with the payee and can take whatever steps are necessary to verify information. By accepting W-9s and updates only from authorized signatories, verifying the signatures match the [CASL Form \(Contractor Authorized Signatory Listing\)](#) or some other verification, departments assist with reducing the risk of misdirecting payments to the wrong payee or address, delaying payments or inadvertently allowing fraudulent payments.

- **New VCCs** – ensure that the payee is actually a new vendor that does not already have an existing vendor code on MMARS. Not all vendors know that they are already registered on the VCUST table. A search of the TIN/EIN should identify if the payee has a current vendor code.
 - Departments should ensure that the payee has submitted an SSN/TIN or FEIN with a legal name and address that match what they have already filed with the IRS and DOR. Many entities have a legal name and a “DBA” (“doing business as”) with a different operational name. The legal name should be the name listed in VCUST. If the entity needs the dba name also, this should be listed under “Division”. If the legal name is not used, the Commonwealth may get a B-Notice requiring modifications both for the Commonwealth and the payee, and require a payee to modify already filed tax returns.
- **VCMs** Departments should always look up the vendor in MMARS to verify the current information and to obtain the necessary supporting documentation for the requested change. No legal address, remittance address, tax id, legal name or structure changes should be made unless an authorized signatory of the payee has submitted an updated W-9 or other acceptable supporting documentation.
 - Special care must also be taken when a payee requests payment to be sent to a different **remittance address** (other than the legal address where tax reporting is made) or to another bank account to ensure the address or bank account is verified by an authorized signatory of the payee with sufficient back up documentation. This verification is necessary to ensure that payments are not fraudulently diverted to another address or bank account.

See [Contractor Authorized Signatory Listing Policy](#).

Unpaid Checks

We are continuing to make 1099 corrections because either a check was never received or the vendor returned a check to the departments for specific valid reasons. The ER, CEC or GAEC must be vendor specific and processed in a timely manner so that the tax reportable payment is reversed.

Departments must avoid situations that would allow checks issued in one tax year to be held until the next tax year. Departments must make sure that no checks are held longer than one day. Checks must be deposited timely to avoid erroneous tax reportable payments appearing in the Forms 1099s issued to vendors.

Keep the Vendor Customer File Current

Each year the Commonwealth produces approximately 30,000 form 1099s. A significant number of these forms are returned as undeliverable because we have incorrect address information in the VCUST table. When vendors are paid via electronic funds transfer (EFT) the departments continue to be responsible to update all pertinent business information. These errors can be minimized by ensuring that the vendor's legal address is updated properly in a timely manner via VCM.

Section Six

Contracts and Tax Management

Section Introduction

Departments are responsible for being familiar with all [policies in the CTR Web Portal related to Contracts](#).

State Finance Law Reminder

State Finance Law requires that funding be in place before goods, services or other obligations can be requested or accepted from contractors, vendors, or employees. Specifically, under [M.G.L. c. 29, § 26](#); [M.G.L. c. 29, § 27](#); and [M.G.L. c. 29, § 29](#), departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) by departments without a sufficient appropriation and allotment.

Expenditure Classification Handbook and Tax Management

Departments are required to review the [Expenditure Classification Handbook](#) prior to encumbering and making payments to ensure the appropriate object code is being used. Intentionally misclassifying an expenditure may be considered a state finance law violation. (See [MGL – C. 29, S. 66](#).) The object code defines the tax treatment of the expenditure. Using the appropriate object code will enable the Commonwealth to prepare the correct tax forms to file for the tax year. Using an inappropriate object code will require corrective action. See the [Expenditure Classification Handbook](#) for further guidance.

Be sure that staff reviews the annual Comptroller memo titled; "Issuing and Filing IRS Forms 1099 for Tax Year 200x" and adhere to directions and deadlines.

Ensuring VCUST records are accurate to minimize undeliverable 1099 Forms:

Take steps to ensure the correct legal address, organization type and (SSN/EIN) are reported on the VCUST table.

Each year the Commonwealth produces approximately 30,000 form 1099s. A significant number of these forms are returned as undeliverable because we have incorrect address information in the VCUST table. When vendors are paid via electronic funds transfer (EFT) the departments continue to be responsible to update all pertinent business information.

In addition, many tax forms are resubmitted to CTR for correction due to errors outlined below.

Like any other MMARS transaction, when a department submits a VCC or VCM to final status, the authorized department head signatory is certifying that the document is accurate and complete, and that they have verified the information in the VCC or VCM. Merely obtaining a W-9 is not enough. CTR can not verify the information in a W-9 or W-8. Departments are in the best position to verify the accuracy of payee information because they are working directly with the payee and can take whatever steps are necessary to verify information. By accepting W-9s and updates only from authorized signatories, verifying the signatures match the [CASL Form \(Contractor Authorized Signatory Listing\)](#) or some other verification, departments assist with reducing the risk of misdirecting payments to the wrong payee or address, delaying payments or inadvertently allowing fraudulent payments. See Section Five above on [W-9 Certification](#).

1099 Implications If ER's And EX's Are Not Processed Timely

When adjustments or corrections are needed, especially at the change of a calendar year, departments must complete transactions timely in MMARS and be aware of tax reporting implications. Departments must make sure that no checks are held longer than one day. Checks must be deposited and Expenditure Refund (ER) transactions processed timely to avoid possible erroneous tax reportable payments appearing in 1099 Forms issued to vendors. Departments should also be diligent about processing Expenditure Correction (EX) to avoid posting 1099 tax data to the wrong tax year in MMARS. If ERs and EXs are processed after the tax year cutoff date, they may lead to 1099 corrections.

Please take steps to ensure the legal address, organization type and (SSN/EIN) are accurate for each vendor and then process encumbrances and payments referencing the correct object codes.

Department Head Signature Authorization

Any MMARS document submitted to final status along with its supporting documentation, shall operate as the department head's certification that the document is accurate and complete, supported by sufficient legislatively authorized funds, is made in accordance with this department's legislative mandates and funding authority and complies with all applicable laws, regulations, policies and procedures.

Department Head Signature Authorization may NOT be delegated to a “contract” employee, to any “non-employee” (such as a consultant, or employee of an outside entity, an Authority or quasi-public agency) or to an employee of another department since these individuals may NOT act as agents of the Department Head.

- Employees with “Administrator” security roles and signatory authority may bring a document to final phase by applying an electronic Department Head signature (without a written signature on the document).
- Individuals with “Administrator” security roles without signatory authority must obtain **evidence of DHSA**. MMARS functionality is designed to support extensive use of electronic signatures for DHSA purposes. Departments are encouraged to use this functionality to electronically document DHSA by encouraging signatories to access and view documents on-line and apply approvals. However, Department Head signoff can be made in a variety of ways and does not necessitate approval in MMARS or HR/CMS directly or screen prints of MMARS or HR/CMS screens. Departments can use the [MMARS Document Records Management/Signature Authorization Form](#) to approve one or multiple MMARS transactions. Emails from the Department Head (or authorized signatory) with the key data elements for approval; signature or initials on invoices, spreadsheets or memorandum, or other “evidence” of signoff is also sufficient. Departments may develop any internal process (as part of the Department Internal Control Plan) that efficiently “documents” Department Head signoff. Electronic evidence of approval such as emails must be printed and retained in order to document approval, since emails are not yet a sufficient electronic format to retain records. Once the evidence of DHSA approval is obtained, electronic approval can be made in MMARS, and filed for records management, Quality Assurance and audit.

Departments are responsible for adherence to the following policies which are available in the CTR Web Portal:

- [Department Head Signature Authorization and Electronic Signature in MMARS Policy](#)
- (Contracts) [Delegation of MMARS Document Processing Authority and Quality Assurance](#)

Contractor Signature Authorization Listing (CASL)

For a contract (including grants, leases, subsidies, etc.) to be legally valid, it must be executed by an authorized signatory of both the department and the contractor. As requested by the Office of the Attorney General (AGO), a department is required to take reasonable steps to verify that a contract, including the applicable Commonwealth Terms and Conditions, has been executed by an authorized signatory of the contractor and that the signature that appears on the contract was actually made by the authorized signatory and not a representative. An authorized signatory is an individual who is legally authorized to sign on behalf of the contractor and legally bind the contractor. It must be standard business practice for departments to verify the signature that appears on a contract was made by an individual authorized to execute a contract on behalf of the contractor (regardless of the contract amount).

Departments must establish internal procedures for obtaining and filing contractor authorized signatory listings for all contractors (filed as part of Internal Control Plan). A department may use the [Contractor Authorized Signatory Listing](#) form issued by CTR or any comparable form, provided the contractor certification language appears on the comparable form.

At a minimum, a list of authorized signatories for a contractor must be attached to the record copy of each contract or contract amendment filed at the department. This listing may be obtained once per contractor (as part of either the procurement or contract execution process) and photocopied and attached to each contract the department has with that contractor until the listing is updated. The listing does not need to be attached to a photocopy of any contract submitted to CTR or OSD for workflow review and processing. Quality Assurance Reviews and other post-audit activities will verify proof of contractor signature authorization. For further information, see the CTR Web Portal, Policies and Procedures, under Contracts. The section is entitled [Contractor Authorized Signatory Listing](#)

New Standard Contract and Amendment Form

The Standard Contract Form and the Standard Contract Amendment Form have been consolidated into a single form. Departments will now select whether the contract is “new”, a “contract renewal” or a “contract amendment”.

- The “Anticipated Start Date” in the Standard Contract and Amendment Form should be inserted to reflect “actual” date obligations are incurred.
- If the latest Execution and Approval Date (Effective Date) is AFTER the listed START DATE, the department is required to select whether:
 - No obligations were incurred until on or after the effective date, OR
 - Performance incurred prior to the effective date is included as a Settlement as part of the Contract/Amendment.

Departments may begin using the new form upon issuance for current and FY’08 business. Departments must use the new form for all procurements issued after the issue date of the new form.

Executive Order 481 – Prohibiting Contracts with Vendors Employing Undocumented Workers

[CTR Memo FY2007-19](#) “Executive Order 481- Contractor Certification Form” provides instructions for compliance with Executive Order 481, which prohibits contractors receiving funds under state contracts from using undocumented workers. The Certification Form must be completed by each Contractor and attached to the record copy of any Executive Branch contract until the certification language is incorporated into standard contract boilerplates. Please note that the new Standard Contract Form has been updated to include this language, and the Certification Form does not need to be attached.

Contract Submission Reminders

All contract submissions to the CTR Accounts Payable Bureau, Contracts Unit should be mailed. Faxed submissions should be for emergency use only. Also, if faxing a contract request to CTR it is not necessary to mail another copy. Duplicates cause potential delay in processing.

If a contract submission is not processed within 5 business days (7-10 business days during close/open period), please contact your CTR Contract Unit Liaison. See the link below for a list. Please do not forward a duplicate copy until it has been determined by your liaison that it is necessary [Contract Liaisons](#).

When resubmitting a contract that has been physically returned to the department by CTR, please clearly mark it as a resubmission.

Records Management

Pursuant to [815 CMR 10:00 Records Management of Bills, Vouchers and Contracts](#), departments have been designated the “keeper” of all record copies of contracts and supporting documentation. This policy governs *all* contracts, grants, Interdepartmental Service Agreements (ISAs) and amendments, which use the BGCN/BGCS, IE, CT, RPO, PC, GAE, or RQS/GAP MMARS pre-encumbrances, encumbrances and the following supporting payment request documents: PRC, PRM, GAX, INP & IET documents, or any other document necessary to process a contract.

Records Management includes maintaining the complete original “record copy” of a document for the required retention period and then archiving the document in accordance with the records retention schedule published by the Records Conservation Board of the Secretary of State’s Office (SEC). See [SEC Statewide Records Retention Schedule](#).

- **CTR** will maintain the electronic record copy of **transactions** processed in MMARS and will be responsible for retaining and archiving these records. Departments do not have to separately maintain electronic copies of MMARS Transactions.

- **CTR** will also maintain record copies of **W-9 Forms, Commonwealth Terms and Conditions, Commonwealth Terms and Conditions for Human and Social Services and Electronic Fund Transfer (EFT) Authorization forms** which must continue to be submitted to CTR to register a vendor. Departments should retain copies of these documents for the contract files.
- **Departments** are required to maintain all “back up” or “supporting documentation” related to a MMARS document (marked with the Doc ID) for the requisite period of time specified for that type of document in accordance with the [Statewide Records Retention Schedule](#). For example, contract and payment related documentation must be maintained for 6 years from the last payment made under that contract or until any litigation involving the contract is resolved (which would include procurement, contract, payment and correspondence.) Please see previous section for more examples.

This is to clarify the use of the terms “transaction” and “document”:

- **Transaction** refers to a specific event that occurs in MMARS that may reference one or more documents.
- **Document** is a discrete article (may be paper or electronic text) that supports the transaction event in MMARS: for example, Ts&Cs and signed SOW are documents that support the CT transaction in MMARS.

EFT Forms and Individual SSN#s (TIN) on the W-9 and T&C are confidential and should not be released in a public record request.

Departments are required to maintain all “back up” or “supporting documentation” related to a MMARS transaction for the requisite period of time specified for that type of document in accordance with the [Statewide Records Retention Schedule](#). For example, contract and payment related documentation must be maintained for 6 years from the last payment made under that contract or until any litigation involving the contract is resolved (which would include procurement, contract, payment and correspondence.) Please see previous section for more examples.

Document Comments

MMARS functionality allows the addition of comments to documents. This field allows a maximum of 1500 characters. Document comments may be queried from the data warehouse from reference table M_Reference_Document_Comments. Currently, the CTR Accounts Payable Bureau, Contracts/Tax Management Unit are using comments for:

Rejected CT and RPO Documents - When a pending transaction is rejected by the Office of the Comptroller (CTR), a reason for the rejection is entered in the Comments field. In the document catalog these rejects are noted with a ‘Yes’ in the comment column. As part of a department’s daily document catalog management, a department should look for these rejected transactions, review the comments entered and take the appropriate corrective action.

Documents will be physically returned if the department does not correct the errors within 5 business days.

Encumbrance Corrections (CEC/GAEC) - Department’s must enter a justification in the Comments field explaining the reason for the encumbrance correction for any CEC or GAEC using event type PR20 or PR21. In circumstances where funds have been returned by the vendor and an ER transaction has been processed (NOTE: all ERs must include the payment request (PRC, GAX, INP) document ID. The payment doc code, department code and 20-digit ID must be entered in the header document description field. This requirement applies to all ERs regardless of dollar amount), department’s must also include the ER Doc ID in the Comments field. This will allow the Comptroller’s Accounts Payable Bureau, Contracts/Tax Management Unit to validate that the funds have been deposited and an ER has been processed (the CEC or GAEC should not be submitted until the ER is processed to final).

Additional guidance is available in the job aid [Using Document Comments](#). See also the April 5, 2007 e-Update regarding the requirement for putting the payment document id number on an ER [E-update April 5, 2007](#).

Exercising Options to Renew

Procurements and other legislative authorizations may allow for options to renew. Although options to renew are made at the discretion of a Department, the exercise of an option(s) to renew is considered a Contract amendment which will not be effective until documented by the execution of an amendment by the Department and Contractor on or before the termination date of the Contract. A Department may exercise more than one option to renew at a time, if multiple options are still available under the procurement. For example, a procurement with three, one-year options to renew may exercise all three options at once and execute a multi-year contract for the three year period.

If a Contract is scheduled to terminate prior to using the time left under a procurement, grant application, other procurement process (such as a contract employee posting) or other authorization (such as a budget line-item earmark for the contractor) any remaining time or options to renew that are still available may be used by the Department provided the Amendment:

- will not extend the contract duration beyond the maximum period authorized in the RFR, grant application, other procurement (such as a contract employee posting) or authorization (such as a budget line-item earmark for the contractor);
- is executed under the same terms and conditions as stated in the original procurement and contract. However, a department and contractor may negotiate any of the details of performance which were identified in the contract, the RFR, grant application, other procurement or the contractor's original response;
- is supported by sufficient appropriations or other legally available funds; and
- is exercised through a formal amendment by the contractor and the department. Departments should ensure that any amendment is included in the procurement/contract file with the original record copy of the Contract

The procurement period or any remaining time available under another authorization remains the same, even if the contract terminates and performance stops for a period of time. The Department and Contractor may agree to continue performance at a later date within the authorized procurement period, but any lapse in time between the original Contract termination date and the execution of an amendment or the date of confirmed receipt of a notice of extension will be lost and may not be added on to the end of the original procurement period.

For example: A Contract has an initial total duration of 7/1/05-6/30/08 with a (2) one year options to renew, for a total duration of 6/30/10. If the contract terminates on 6/30/08 and is not renewed until 10/01/08, the period of the lapse (6/30/08-10/1/08) is lost and may not be added back to the end of the procurement period which will remain 6/30/10.

Failure to execute a Contract Amendment to exercise the option to renew by the scheduled contract termination date will result in termination of the contract by operation of law (unless the contract is extended using a [Thirty day Extension](#) to allow time to complete the amendment).

Once a contract terminates, new performance must stop and a contract may not be "revived" retroactively back to the termination date.

Extending Contracts – Limited Thirty-day Contract Extension

If a Department has a reasonable concern that the department or a contractor will be unable to complete an amendment to timely renew a contract, or to extend the termination date and performance, the Department may provide written notice to the contractor allowing for a temporary contract extension **not to exceed thirty (30) days**, to allow continued performance (subject to appropriation or availability of non-appropriated funds). This limited option to extend the contract and prevent a lapse in performance solely to enable completion of the amendment negotiation and execution process.

The extension will be under the same terms and conditions as the original contract and is limited to the scope and costs outlined in the notice. If an Amendment is not executed within the extension period, the contract will terminate unless an additional notice of extension is sent by the Department and confirmed by the Contractor prior to the termination date. Departments may not use multiple extensions except in extraordinary circumstances, such as contract negotiation difficulties.

This option is not designed to be used as a routine method of delaying the amendment process for failure to timely manage contracts, or to replace the amendment process, but to prevent a lapse in performance if inadvertent and good faith delays occur.

- **Confirmation of Notice.** Notice of contract extension must be sent “in writing” by an authorized signatory of the Department by mail, fax or email or other method identified in the contract. Advance oral notice may be given provided the Department follows up with the notice “in writing”. **The notice will not be effective until the date the Contractor confirms receipt.**
- **Amendment Effective Date.** When the Amendment is signed, the Effective Start Date will be interpreted to be the latest date it is signed by authorized signatories of the Department and the Contractor. The date listed in the Effective Start Date should not be entered as a date earlier than the latest signature dates (unless the Department is including performance to be covered under a [Settlement and Release](#) process for performance improperly performed or accepted during a lapse between the termination date and a confirmation of extension or execution of an Amendment).
- **Not for “new” Contracts.** A contract extension may not be used to authorize the start of a new contract that does not already exist.
- **Must be supported by sufficient funding.** A contract extension may not be used to continue performance under a contract when an amendment can not be done because funding is not available (such as a pending ISA, supplemental appropriation or other funding source). If funding is not available to support performance, continued performance may not be requested or accepted by the Department. The contract will remain “suspended” until funding is available and a contract Amendment can be executed.
- **Must be allowable under procurement authorization.** A contract extension may not be used to extend a contract beyond the maximum period authorized in the RFR, grant application, other procurement (such as a contract employee posting) or authorization (such as a budget line-item earmark for the contractor); unless the extension notifies the contractor that the department is also authorizing an Interim Contract to complete a new procurement or grant process. (see [Contract Exceptions](#) in the [Procurement Information Center](#)), or an Interim Grant under 815 CMR 2.00 (See [State Grants and Federal Subgrants Policy](#)). An Interim Contract or Grant is sued solely to provide a temporary extension to complete a new procurement process.
- **Notice and Confirmation filed with Record Copy.** A copy of the written notice AND proof of the Contractor's confirmation of receipt must be attached to the original or record copy of the contract being extended.
- **MMARS must Match Extension.** The department is responsible for ensuring that the MMARS encumbrance supporting the contract matches the time extension and has sufficient funds encumbered to support prompt payment for performance (to take advantage of prompt pay discounts). The encumbrance must match the dates of extension and may not be used to retroactively allow payments back to the termination date if the extension was confirmed after the termination date. Any performance improperly provided by the Contractor or improperly accepted by the Department after the termination date and prior to the confirmation of extension may not be paid under the extension and must be resolved through the [Settlement and Release](#) process under the Amendment or a separate Settlement and Release document.

The number of times a department requires this temporary extension will be subject to quality assurance review and audit. Please see the [Amendments Suspension and Terminations](#) Policy for sample language that can be used for a Notice of Contract Extension.

Please note that a 30-day extension is a “contract document” extension and is not an Interim Contract (which extends a “procurement” 30-days at the end of a procurement period for a contract or grant in order to complete a new procurement or grant process). The Interim Contract allows the procurement and contract extension at the end of a procurement period. The 30-day extension is solely for a contract extension when the underlying procurement authority already exists.

EXAMPLE:

- Contract termination date is 6/30/07. There are sufficient funds appropriated for FY'08 and time remaining on the procurement to support a contract renewal until 6/30/08. The Department is negotiating terms with the Contractor and is concerned that the Amendment will not be signed by both parties on or before 6/30/07. The Department sends the Contractor a notice of extension through 7/31/07 which is confirmed prior to 6/30/07. This allows the MMARS encumbrance to be modified to add 7/1/07-7/31/07 for performance during this time while the Amendment process is completed.

- If the Amendment is signed on or before 7/31/07 the contract continues and the MMARS encumbrance can be modified to add the remaining amount of the renewal through 6/30/08.
- If the Amendment can not be signed on or before 7/31/07 the Department should send and have a second notice of extension confirmed on or before 7/31/07.
- If the Amendment is signed on 8/15/07 and an extension was **not** made on or before 7/31/07, the period of the lapse (8/1/07-8/15/07) would be required to be resolved through the [Settlement and Release](#) process as part of the Amendment or a separate Settlement and Release document,

Performance Outside Scope of Contract/Amendment – Settlements and Prior Year Deficiencies

A Department (or any other Commonwealth representative) is not authorized to request that performance begin or continue, or that any obligation be incurred by a Contractor (for which compensation is to be sought under a Contract) **PRIOR** to the legal contract effective start date of that Contract or Amendment, or **AFTER** the termination date of that Contract.

Contractors are not authorized to deliver performance for which compensation is sought under a contract or amendment (even if requested by the Department or any other Commonwealth representative) prior to the contract effective start date of that contract or after the termination date of that contract. Any oral or written representations, commitments or assurances made by the Department or any other Commonwealth representative are not binding and a Department may not back-date a contract or amendment in order to cover the delivery of performance prior to the contract effective date.

The Commonwealth has no legal obligation to compensate a Contractor for performance that is not requested and is intentionally delivered by the Contractor outside the scope of a Contract. However, a Department may not accept performance outside the scope of a contract and then refuse compensation, since this type of action could be considered bad faith. Therefore, if the performance is accepted by the Department, accrued to the benefit of either the Department, the Commonwealth or customers/clients, and the Department deems that performance is compensable, the Department and the Contractor may negotiate the reasonable value for the delivered and accepted performance under a Settlement.

Since the delivery and acceptance of performance without a valid Contract in place is the fault of both the Department and the Contractor, the Settlement and Release is used to document the details of the circumstances, the negotiated compensation and the release language which ensures that the Contractor can not come back at a later date seeking additional funds related to the same performance.

There are three types of contract Settlements:

1. **Contract Performance completed Without a Contract**
2. **Performance prior to the Effective Start Date of a Contract or Amendment.**
3. **Disputed Performance or Compensation under a current or expired contract.**

1. Performance made Without a Contract.

On the rare occasion that performance is authorized, completed and accepted without a Contract (when a Contract document was required), the [Settlement and Release Form](#) serves as the “contract” documentation to enable compensation for this performance. If funds are available to make payment under the object code for this type of expenditure, the payments should be made under the object code that would have been used if a Contract had been properly obtained. If funds are not available to make payment for the performance, the Department has a more serious state finance law issue and must submit the Settlement and Release and all supporting documentation to the CTR Legal Office for review and determination of the appropriate funding source for payment. CTR may require payment from another departmental funding source, a prior year deficiency (if the obligation arose in a prior fiscal year) or other appropriate funding source.

2. Performance prior to the Effective Date of a Contract or Amendment

Departments may not authorize new or continued performance prior to the “Contract Effective Date” which is the latest date for signature by the Contractor and Department, and other required approvals prior to performance. **If performance is improperly made and accepted by the Department prior to the Effective Date for which compensation will be sought (invoiced) prior to the Effective Date, this performance must be resolved through a Settlement process.** This improper performance may occur:

- a. prior to the timely execution of a Contract (the parties began performance prior to the contract effective start date), or
- b. during a lapse in time between the termination date of a Contract and a renewal amendment (the parties failed to timely sign a contract amendment) or
- c. during a lapse in time between the termination date of a Contract and the Contractor's confirmation of a notice to extend for 30 days.

The Department has two options to resolve the settlement:

1. **Execute Settlement and Release Form.** Execute a *Settlement and Release Form* for the performance provided outside the scope of the contract or amendment, or
2. **Include Performance as part of Contract or Amendment.** Include the performance in a Settlement that will be incorporated by reference into the Contract. The Department will be required to:
 - a. Identify this performance (as part of an initial or amended contract) by the date this performance was started in the "Anticipated Start Date" of the Standard Contract and Amendment Form. This will identify when the start of performance related to the Contract or Amendment actually occurred, even though the Contract/Amendment is executed after this date.
 - b. Check off the box that indicates that this performance is part of a Settlement.
 - c. Attach the performance and costs of the performance unless already identified as part of the Scope of Services and Budget attachments.
 - d. Include in the Contract file, a justification or the reasoning for the improper performance, for Quality Assurance or Audit purposes.
 - e. The amounts covered by the Settlement obligations must be included within the same encumbrance document as the Contract or Amendment so that all obligations and payments for the Contract are together. The Department has the option of identifying the Settlement payments on a separate line of the encumbrance but this is not necessary. The encumbrance must reflect the total amount of obligations for the Contract including the Settlement amounts.

EXAMPLE: Contract termination date is 6/30/07. There are sufficient funds appropriated for FY'08 and time remaining on the procurement to support a contract renewal until 6/30/08. The "effective date" of the Amendment is 7/16/07 (latest date of Contractor and Department signatures and required approvals, and an extension was **not** made on or before 6/30/07).

If obligations are incurred by the Contractor during the period of the lapse (7/1/07-7/16/07) for which compensation will be sought (invoiced) this performance would be required to be resolved through a Settlement and can not be automatically rolled into the Amendment. The Department has two options:

1. **Execute a separate Settlement and Release document** for the performance during the lapse (7/1/07-7/16/07) and attach to the original contract; OR
2. **Include the performance as part of the Contract Amendment** as follows:
 - a. The Department would enter "**July 1, 2007**" or the actual date the performance obligations occurred after 6/30/07) under "**Anticipated Contract/Amendment Start Date**" of the Standard Contract and Amendment Form, as follows:

Anticipated Contract/Amendment Start Date is July 1, 2007. Notwithstanding verbal or other representations by the parties, or an earlier Start date listed here, the effective start date of this Contract /Amendment shall be the latest of the following: the date this Contract/Amendment has been executed by an authorized signatory of the Contractor, the Department, a later Start date specified here, or the date of any required approvals. If the Effective Start Date of this Contract/Amendment is later than the Start Date listed above, the parties agree that by signing below they have mutually agreed that:

- b. The Department would also check the box indicating that the performance prior to the 7/16/07 effective date is included under a Settlement, as follows

☒ Any obligations incurred by the Contractor prior to the Effective Date for which compensation will be sought were intended to be part of this Contract/Amendment and shall be considered part of a Settlement of these obligations which are incorporated by reference herein and upon payment for these obligations, the Contractor forever releases the Commonwealth from any claims or liabilities related to these obligations.

By completing the Amendment to include the performance during the lapse, the Department is able to enter the MMARS encumbrance to include both the performance during the lapse and the performance under the properly executed Amendment.

Please note that if **no performance occurred or was anticipated to occur until on or after** the effective date of the Amendment (7/16/07), the Department would not have any performance included as part of a Settlement and the Department would check of the box indicating that no performance was made prior to the effective date, as follows:

☒ Obligations have not been incurred by the Contractor prior to the Effective Date for which compensation will be sought;

The MMARS encumbrance would only reflect the effective dates of the Amendment (7/16/07-6/30/08) since no performance occurred until on or after the effective date of the Amendment. There would be no quality assurance or audit findings in this situation, unless the supporting documentation or MMARS records indicate that the Department made payments for invoices or obligations made prior to the effective date.

The use of Settlements is a corrective action that should be used rarely and should not be a standard solution to a department's failure to timely execute contracts or contract amendments. Departments may be cited for overuse of the settlement process during Quality Assurance visits or audits

3. Disputed Performance or Compensation under a current or expired contract.

- Contract disputes that are settled during the period of the contract may use the options outlined in #2 above "**Performance prior to the Effective Start Date of a Contract or Amendment**" to document the Settlement.
- Any claim settled after the term of the Contract should be resolved using the Settlement and Release Form.

Payments of Settlements

Payments of Settlements follow the same process as other contract payments.

- If performance was delivered on or before June 30th of the fiscal year in which the Contract was executed, this performance must be paid from fiscal year funds for the fiscal year ending on that June 30th.
- If there were no funds available at the end of the fiscal year to cover payment, or payment is delayed beyond the close of the accounts payable period on August 31st (for a non-continuing account), the compensation would be treated as a Prior Year Deficiency (PYD). The payment would be made by the Office of the Comptroller and charged back to the current fiscal year appropriation(s) of the department.
- Settlements within the contract period and available funding for performance compensation must be paid using available contract funding under the same object code for performance under the Contract.
- Settlements within the contract period and available funding for non-performance costs such as attorneys fees, penalties or interest must be approved prior to payment by the CTR Legal Office, since these are not performance payments and require different object codes and may require a different funding source for payment.
- If the Settlement resolution was outside the scope of the contract, which is after the contract period and the authorization for the contract funding (due to litigation or protracted settlement negotiations) the CTR Legal Office would determine the appropriate source for the payment.

Please also see Policy Chapters for **Accounts Payable**, including **Commonwealth Bill Paying Policy**.

MMARS Documents Must Match Extensions and Amendments

Current state finance law policy requires MMARS to match the underlying contract or supporting documents, including extensions and amendments. What appears in the MMARS system will be considered the “official record” or “record copy” of fiscal activities and will supersede paper or other formats of the same information. Departments must remember that MMARS is an accounting system, used to accurately record and report on fiscal activities.

Although MMARS is an effective management tool, departments can not rely solely on the MMARS system to manage fiscal responsibility and decisions. MMARS will not always prevent mistakes or incorrect entries. Some documents will pass all the system tests (edits) and be processed to “Final” status even though the expenditure, underlying procedures, procurement process, or contract documentation is legally deficient.

Therefore, just because department staff are capable of processing a document to “Final” status in MMARS will not be interpreted to mean that the document, or underlying documentation are automatically legal, appropriate or in compliance with applicable laws, regulations, policies or procedures. Compliance responsibility remains at all times with the department employees who process documents to “Final” status. Since MMARS will track the UAID of the department employee who approves documents, quality assurance reviews will identify not only the documents that will be reviewed, but also the security identification (UAID) of the employee who approved the documents.

- Departments must be especially careful when modifying MMARS documents (such as encumbrances) to support contract extensions and amendments, specifically effective dates. It is improper for Departments to enter a modification to a MMARS document to reflect start and end dates that are not supported by the underlying contract documentation.

State Finance Policy Quality Assurance and Audit Review of Effective Dates and Obligations

In addition to ensuring the availability of sufficient funding, and any procurement or other approvals that are required for a particular expenditure, Departments are required to have contracts in place for certain obligations, prior to incurring an obligation for which compensation will be made.

- Departments must enter the Start date in a Contract that accurately reflects when performance obligations are incurred for which compensation will be sought (invoiced) under the Contract/Amendment.
- The date entered under “**Anticipated Contract/Amendment Start Date**” listed in the Standard Contract and Amendment Form should be the **same or later** than the “Effective Date” which is the latest date for signature by the Contractor and Department, and other required approvals prior to performance, UNLESS the Department is including performance prior to the Effective Date under a Settlement. See [Performance prior to the Effective Date of a Contract or Amendment](#).

Current state finance law policy requires MMARS to match the underlying contract or supporting documents, including extensions and amendments. What appears in the MMARS system will be considered the “official record” or “record copy” of fiscal activities and will supersede paper or other formats of the same information.

Please note that anytime a Contract or Amendment has a listed Start Date that is earlier than the Contract effective date (which is the latest date for signature by the Contractor and Department, and other required approvals prior to performance) the Contract will be considered to “potentially” include performance improperly made prior to the Contract effective date and may be subject to Quality Assurance or audit findings.

- If the MMARS transaction supporting the Contract identifies a start date prior to the Effective date of the Contract, any payments for performance made prior to the Effective Date will be considered Settlements and the Department may be cited for a Quality Assurance or audit findings.
- If the MMARS transaction supporting the Contract/Amendment reflects the Contract effective (execution/approval) date, rather than the earlier Start date listed in the Contract, the encumbrance will be interpreted to support the effective date and that no performance was made prior to the effective date (execution/approval) date. (Unless other documentation identifies that performance was made prior to the effective date and the Department merely deferred payments to after the effective dates.

Delegation of MMARS Processing Authority

The chart below represents current MMARS document processing limits. These limits are set by document type and by object class, if applicable. For additional guidance, please review CTR's policy documents on the CTR Web Portal [Delegation of MMARS Document Processing Authority](#) and [Quality Assurance](#).

MMARS Document	Delegation Limit for Total Duration of the Document
PC Commodities	\$100,000
CT Services	\$500,000
RPO Ready/Recurring Services/Leases	\$500,000
GAE/INP Incidental Purchases	\$5,000*

* **Consultant Services (M.G.L. c. 29, s. 29A):** Please note that for consultant services governed by M.G.L. c. 29, s. 29A (certain HH, NN and UU object codes), a procurement is not required for purchases less than \$5,000, however, secretariat approval is required for all purchases greater than \$1,000. See further guidance in the Operational Services Division policy guidance document [Incidental Purchasing Policy Guidance](#).

MMARS document processing delegation is limited only to document processing in MMARS. It does not change the underlying procurement or contracting requirements. Even though departments will be able to process MMARS documents without secondary review by CTR/OSD, departments are still responsible for procuring and contracting in accordance with applicable state finance and procurement laws, regulations and policies. The Quality Assurance team and other pos-audit activities will monitor and assist departments to ensure compliance.

Multi - Year Encumbering

Below is a chart that illustrates the two options available and acceptable for entering a multi -year CT or PC encumbrance transaction into MMARS. This type of encumbrance must be supported by a multi - year contract **and** the document ID number of the associated MMARS transaction must remain the same throughout the life of the encumbrance and any of its renewal options.

SCENARIO #1 – Multiple Commodity Lines/Accounting Lines for each fiscal year

	Dates of Service	Comm. Line Amt.	Accting. Line Amt.	AL Attributes
Commodity Line 1	7/1/06-6/30/07	\$50,000		
Accounting Line 1			\$50,000	
Event Type				PR05
Reserved Funding Flag				NO
BFY				2007
FY				2007
Commodity Line 2	7/1/07-6/30/08	\$25,000		
Accounting Line 1			\$25,000	
Event Type				PR08
Reserved Funding Flag				YES
BFY				2008
FY				2007

SCENARIO #2 - One Commodity Line for full two year range of dates with separate accounting lines for each fiscal year

	Dates of Service	Comm. Line Amt.	Accting. Line Amt.	AL Attributes
Commodity Line 1	7/1/06-6/30/08	\$50,000		
Accounting Line 1			\$25,000	
Event Type				PR05
Reserved Funding Flag				NO
BFY				2007
FY				2007
Accounting Line 2			\$25,000	
Event Type				PR08
Reserved Funding Flag				YES
BFY				2008
FY				2007

CLOSING

Introduction

This section provides relevant guidance on finalizing year-end encumbrances. Departments should read these instructions thoroughly to minimize unnecessary delays and problems with the fiscal year closing.

Encumbrance Contract Management

During the final quarter of the fiscal year, departments should perform a timely review to ensure all FY2007 encumbrances are in place to support departmental needs. The target date for routine encumbering in MMARS is Friday, June 15, 2007. The remainder of FY2007 should be used to handle final adjustments (Note: the last day of business for FY2007 is Friday June 29, 2007. This is the last day to process FY07 transactions requiring CTR/ANF Approval).

May 30 Encumbrance Deadline Date

Effective Friday, May 31, 2007, the transactions listed below, from the departments whose three-letter codes are listed below, *should not be submitted* in MMARS prior to receiving approval from ANF, **if they total \$25,000 or more in a budgetary account** (appropriation types: 1CN, 1CS, 1RN, 1RS, 1IN, and 1IS). Transactions that total less than \$25,000, or are in capital, federal or trust accounts (appropriation types: 2CN, 3TN, 3TX or 4FN), or are submitted by departments other than those listed below do not require ANF approval in June. (Appropriation type is identified on each account's record on the MMARS APPR table.)

CT	Contract Transaction	PH	Payroll Hold
GAE	General Accounting Encumbrance	RPO	Recurring Payment Order
PC	Commodity Purchase Order		

AGR	CDA	DCR	DOE	DPW	ENE	HCF	MCB	OSD	TAC
ALA	CHE	DFS	DOI	DSS	ENV	HLY	MCD	PAR	TRP
ANF	CHS	DIA	DOL	DYS	EOL	HRD	MIL	POL	VET
ATB	CJT	DOR	EEC	EPS	ITD	MRB	REG	WEL	
BCA	CME	DMH	DOS	EED	EQA	JLM	MRC	RMV	
BLC	CSC	DMR	DPH	EHS	EQE	LIB	OCD	SCA	
BSB	DCC	DOB	DPS	ELD	FWE	LRC	OHA	SEA	
CAD	DCP	DOC	DPU	ELW	GIC	MAC	OSC	SOR	

In rare instances, unforeseeable circumstances may require some encumbrances and encumbrance modifications to be processed during June. Every reasonable effort must be made to avoid this. Departments should not expect any discretionary encumbrance transactions involving increases of \$25,000 or more in budgeted fund accounts to be approved in June.

The Budget Director has issued specific guidance on the process for requesting ANF's approval of late transactions using budgeted fund accounts. (<http://www.anf.state.ma.us/>). Exceptions to the Wednesday May 30th deadline are expected to be very limited. Departments are strongly advised to manage their work now to meet the Wednesday May 30, 2007 deadline.

ANF Platform

To access the Platform program, it must first be installed on your desktop. Please go to the Commonwealth of Massachusetts [Administration and Finance website](#) for instructions on how to install the application. After installing it, double-click on the icon on your desktop. You will be prompted for your ID and password, which are the same as the ones you used to complete spending plans this year. To enter a new request, or to review the status of a request, click on the Platform menu and the option "Late Encumbrance Requests". To add a new user, please contact [Thong Tran](#) at ANF.

Late Encumbrance Processing 7/1 - 8/31

Departments should review their financial status to ensure that there will be sufficient funding encumbered to cover all commitments incurred during the fiscal year. CTR and OSD will accommodate late encumbrances due to unforeseen circumstances on a limited basis. These encumbrances will workflow either to CTR or OSD.

CT, RPO and GAE encumbrances, workflow to CTR Accounts Payable Bureau, Contracts Unit. Documentation for these requests will require:

- a. submission of the standard contract or standard contract amendment package, if applicable
 - b. Late Encumbrance Transmittal Form. See last page of this section for this form.
 - c. data entry in the following fields on the encumbrance accounting line(s) and header: BFY: 2007 FY 2007 Accounting Period 13
 - d. letter on department letterhead addressed to Michael Weld Eyob, Accounts Payable Bureau Director, and signed by the department's CFO explaining the reason(s) for the late encumbrance (s)
 - e. All requests should be submitted to the attention of Sue Patts-Nagy
- **Note: the PC document also goes to workflow between 7/1 and 8/31**, This document workflows to OSD and should be addressed to Elaine LaMonica when the document total is less than \$100,000 and addressed to the applicable Procurement Team Leader (PTL) when the document total is \$100,000 or greater. Here is a link to the OSD directory to assist in identifying the applicable PTL - [OSD Directory](#)

Net Zero Dollar Encumbrance Adjustments for FY2007 from 7/1 - 8/31

Net zero dollar adjustments are defined as (1) no change to maximum obligation, (2) changes to contract end date, (3) increases or decreases within the same object class (e.g.GG to GG) and appropriation, and (4) changes to document identification number.

CTR will accommodate net zero adjustments throughout accounts payable

Note: a net zero change between two encumbrances is not considered a Net Zero Dollar Adjustments but rather a Late Encumbrance (see Late Encumbrance guidance above)

These requests will only require an e-mail to the CTR Accounts Payable Bureau, Contracts and Tax Unit attention [Susan.Patts-Nagy](#) noting the document identification number(s) and the reason to move dollars encumbered from one object code to another within the same object class.

Important information about entering a new transaction or modifying accounting lines during the time period 6/1-9/15

From 6/1-9/15, there are two fiscal years open and there are two accounting periods open. From 6/1-9/15, departments are required to enter the FY and accounting period on all accounting line(s) when entering a new transaction or on the lines being modified when modifying an existing transaction. If left blank and submitted, the document will go to the CTR contracts work list and will be rejected with a note in the comments field and an e-mail to the MMARS Liaison, instructing the department to enter the fiscal year and accounting period correctly. See the charts below for guidance.

For all BFYs other than a BFY 2007 line (2005, 2006, 2008, 2009, etc.), the accounting line setup should be:

Accounting Line BFY	Accounting Line FY	Accounting Line Accounting Period
Any BFY other than 2007 (2005, 2006, 2008, 2009, etc.)	Defaults to current FY	Defaults to current Period

If there is no change to BFY07 line, the accounting line set up should be:

Accounting Line BFY	Accounting Line FY	Accounting Line Accounting Period
2007	2008	1, 2 or 3

If increasing or decreasing a BFY07 line, the accounting line set up should be:

Accounting Line BFY	Accounting Line FY	Accounting Line Accounting Period
2007	2007	12 or 13

Encumbrance Correction 6/29 and 8/31 Processing Deadlines

The deadline for processing FY2007 PR20 and PR21 Event Type CEC and GAEC documents that reference an ER document (NOTE: all ERs must include the payment request (PRC, GAX, INP) document ID. The payment doc code, department code and 20-digit ID must be entered in the header document description field. This requirement applies to all ERs regardless of dollar amount), is **Friday, July 2nd** and coincides with the deadline for the FY2007 ER document. See also the April 5, 2007 e-Update regarding the requirement for putting the payment document id number on an ER E-update April 5, 2007

The deadline for processing Event Type PR20/PR21, that does not have a related ER, to correct an encumbrance where a payment was made against the incorrect accounting line or encumbrance is **8/31/2007**.

The deadline for processing Zero dollar FY2007 PR20 Event Type CEC or GAEC document to reopen an inadvertently closed encumbrance is **8/31/2007**

The deadline for FY2007 Event Type PR22 CEC and GAEC is thru the end of FY2007 Accounts Payable **7/28/2007**.

See link to policy on [Encumbrance Correction](#) for further guidance.

OPENING

Encumbrance Management Opening

This section addresses encumbrance processing in FY2008 Opening. The [CTR Web Portal](#) provides policies and procedures and should be consulted for routine questions. Oversight or departmental defined Chart of Accounts is the foundation of the financial management system. The Chart of Accounts must be established prior to any FY2008 budget decisions. Departments opting to use departmental budgets must ensure that all are in place before any activity occurs. Please refer to Section Three (Opening) of this book for additional guidance on Chart of Accounts.

Expenditure Classification Handbook

Departments should review anticipated obligations for FY2008 and ensure that the appropriate object codes are utilized for new or existing encumbrance documents. For FY2008 only minor revisions will be initiated to the Expenditure Classification Handbook. See the [Expenditure Classification Handbook](#) for further guidance.

MMARS Document ID Numbering - Privacy

This is a reminder that MMARS document IDs should be composed of numeric or alphanumeric characters only. Department use of symbols, spaces and other non-alphanumeric characters may result in transactions becoming "locked". This means that transactions on "pending" status, cannot be opened, rejected or approved. Furthermore, document IDs that contain symbols or spaces cannot be retrieved in warehouse queries and query-based reports. If departments choose not to use the auto-numbering feature in MMARS, they should conform to the numeric/alphanumeric standard, and make the document ID meaningful to the department.

MMARS document IDs (encumbrances, payments, etc.), vendor invoice numbers, contract numbers, check descriptions, and any comment fields MUST NOT contain personal information (such as individual's names, SSN numbers, bank account numbers, date of birth, addresses etc.) or other information that could jeopardize privacy or facilitate identity theft. MMARS document IDs and key comment fields may be printed on checks, sent electronically as part of remittance advice, and will appear on VendorWeb (and may be viewable under public records requests), therefore care must be taken that individual personal information is not used.

Contract Roll

The contract roll process itself does the following:

- (1) Modifies the FY2008 accounting line event type from PR50 to PR02 (RQS), PR08 to PR05 (CT, RPO, PC) or PR56 to PR51 (Open order CT, PC)
- (2) Increments the fiscal year field on the FY2008 accounting line from FY2007 to FY2008
- (3) Modifies the reserved funding designation on the FY2008 accounting line to "NO" so that the funds will be available to make payments.

Preparation for the Contract Roll

In preparation for a successful contract roll, Departments should review all **existing** multi-year pre-encumbrances (RQS) and encumbrances (CT, PC and RPO). This review should consist of the following:

- Multi-Year documents must have at least one accounting line for each budget fiscal year (see chart above under Multi -Year Encumbering).
- For the document to be selected in the roll process, the BFY2008 out-year accounting lines must have the correct event type and BFY. See the chart below::

Doc Code	Future Year Event Type	Budget Fiscal Year (BFY)
RQS	PR50	2008
CT	PR08	2008
Openorder CT	PR56	2008
RPO	PR08	2008
PC	PR08	2008

Entering new accounting lines PRIOR to the contract roll: If entering BFY2008 accounting lines **PRIOR** to the Contract Roll, the proper set up is shown in the chart below:

Doc Code	Future Year Event Type	Reserved Funding Flag	Budget Fiscal Year (BFY)	Fiscal Year
RQS	PR50	YES	2008	2007
CT	PR08	YES	2008	2007
Openorder CT	PR56	YES	2008	2007
RPO	PR08	YES	2008	2007

The contract roll is scheduled for Saturday, June 2nd thus the above must be done prior to that time in order to be eligible for the roll.

The contract roll will impact RQS, RPO, CT and PC documents. Encumbrance processing suspension will be in effect Thursday, May 31 – Sunday, June 3. Departments will not be able to enter, edit, validate, or submit RQS, RPO, PC, CT documents until Monday, June 4th.

The Accounts Payable Bureau, Contracts Unit will approve all pending MMARS documents by Friday, June 1st as long as the paperwork has been forwarded to CTR for RPOs and CTs. OSD will do the same with PCs (attempt to approve all PCs in-house with documentation) before the contract roll occurs. Pending documents will be rejected back to the department if the paperwork is not received in time.

**The document ID number remains the same throughout the life of the encumbrance.
The contract roll is a modification to the original document.**

Entering new accounting lines AFTER the contract roll: If entering a BFY2008 accounting line **AFTER** the Contract Roll the proper set up is shown in the chart below:

Doc Code	Future Year Event Type	Reserved Funding Flag	Budget Fiscal Year (BFY)	Fiscal Year
RQS	PR02	NO	2008	2008
CT	PR05	NO	2008	2008
Openorder CT	PR51	NO	2008	2008
RPO	PR05	NO	2008	2008
PC	PR05	NO	2008	2008

Open Activity Roll – Capital, Trust and Federal Funds Only

In an effort to streamline and assist departments with managing their multi fiscal year contracts, CTR is in the process of reviewing the current Open Activity Roll program. Additional guidance will be provided on this issue.

Tax-Exempt Lease Purchases, Term Leases, and Rentals (Recurring Payments)

The guidance and policy regarding Tax-Exempt Lease Purchasing (TELP) (Object Codes L02-L12, N62 and U08); Term Leases, and Rentals (Object Codes L21-L32, N63, and U09) are discussed in the following available resources:

- [Expenditure Classification Handbook](#)
- MMARS Policies [Fixed Assets-Acquisition Policy](#) and [Accounting and Management Policy](#)

- Operational Services Division (OSD) Tax-Exempt Lease Purchase Financing Handbook and the [Comm-PASS website](#). (Search for “PRF17” under Contracts. TELP Handbook is under “Terms/Forms”).
- MMARS Policy "[Commonwealth Bill Paying Policy](#)", Recurring Payments section on page 11 of this document.

Encumbrance documents for TELPs and leases must be supported by a contract. Recurring payment leases such as: space leases (G01 object code), TELP leases (L02-L12, N62 and U08 object codes), and any capital or operating lease (L22-L32, N63 and U09 object codes) that have a duration greater than 12 months (in length) must be encumbered using the RPO document under one of the applicable MMARS standard recurring payment schedules. In addition, capital leases encumbrances must include the sub object code “CAP”.

Reminders:

1. All TELPs require prior written approval by the Executive Office for Administration and Finance (ANF) to ensure sufficient funding is anticipated for the annual costs for the life of the TELP.
2. Contracts must be negotiated to match established recurring payment table schedules. Exceptions must be approved in advance of contract signature by CTR's Payee & Payments Unit.
3. As with all other types of contracts, it is essential that the department's TELP and leases are recorded in MMARS in accordance with the procurement and fixed asset policies because these documents are subject to audit.
4. Each TELP or lease should have a separate RPO document.

Individual Contractors

Departments hiring “individual contractors” as either “contract employees” or “independent contractors” are required to comply with the policy [Individual Contractors - Independent Contractors vs Contract Employees](#)

A department does not always know in advance whether services can be best performed by an individual contractor or by a company or firm. Therefore, whenever services are being performed, the department should apply the Commonwealth Three-Part Test to the business needs by completing the [Employment Status Form](#).

Contract Employees

If the scope of performance determined that this is an employee/employer relationship, the department may hire an individual as a contract employee through its regular recruitment process for other employees. Payments must be either through HR/CMS or e*mpac. For contract employees, the Commonwealth Terms and Conditions and the Standard Contract Form must be executed. To confirm the employment status when a contract is signed with an individual contractor selected from either an RFR (independent contractor) or posting (contract employee), attach a completed Employment Status Form to the Standard Contract Form.

The Attorney General's Office (AGO) may impose penalties if the three-part test shows that an individual should be a contract employee and the individual was misclassified as an Independent Contractor.

Independent Contractor

If the test determines that the individual falls into the Independent Contractor category, Executive Departments must use an existing statewide contract (unless a waiver is granted by the Operational Services Division (OSD)). If there is no statewide contract, the department may:

- Use an incidental purchase if the total value of the services for the duration of the need is \$5,000 or less, if object code allows. See link to Expenditure Classification Handbook - [Expenditure Classification Handbook](#),
- Conduct an RFR/procurement if value of the services for the duration of the need exceeds \$5,000.

Exception: Object Codes H09 and N03 for legal services procured by Executive Departments require prior approval of the Governor's Chief Legal Counsel prior to selection under MGL c. 30, s.65 and 801 CMR 21.01(2)(b) and prior AGO approval. These object codes also require secretariat sign-off for amounts over \$1,000. Independent Contractors must be paid through the State Accounting System (MMARS).

Discounts

Verification of Discount Terms on Encumbrances: On PC and CT documents with discount terms, the discount shown in the commodity section and vendor section must match. Mismatched Discount terms on an encumbrance will result in incorrect Vendor payments. Departments are responsible for ensuring that the two sections match prior to putting the document to final if within delegation or pending if greater than delegation.

Sometimes these documents also reference a Master Agreement (MA). Departments must ensure that the MA discount terms should always match the encumbrance discount terms.

Discounts tend to be incorrect when departments copy prior year transactions or initially reference an incorrect vendor line from an MA. Copied documents will pull in the discount terms from the old encumbrance. Also incorrectly referenced MA vendor lines will pull in the discount terms associated with that particular vendor line.

To correct mismatched discount information, go to the commodity line section and blank out the values (do not leave zeros) then revalidate the documents. When you revalidate the document, the discount terms from the vendor section will be inferred to the commodity section. Check both sections to confirm that they match. If there are out years, remember to correct those lines as well.

Negotiating Discount Terms: Departments that are now negotiating new contracts, and contract renewals or amendments, should take advantage of the MMARS feature of automatically calculating prompt pay discounts. This valuable cost-saving enhancement in MMARS stores the vendor's discount terms on the encumbrance document, which will copy forward to the payment document and automate the calculation and payment process. This feature provides departments the means to monitor their bill-paying practices and take full advantage of discount opportunities. The Commonwealth's goal of consistent, timely bill paying via [Electronic Funds Transfer](#) (EFT) should give departments leverage in negotiating discounts terms. Please review the existing [policies and procedures](#) Word related to vendor discounts. For more information please see the [Prompt Payment Discount Policy](#) and the encumbrance with discounts job aid.

FY 2007

LATE ENCUMBRANCE TRANSMITTAL FORM

This form **is required** for **all** FY2007 late encumbrance (CT, RPO and GAE) requests submitted to the Comptroller's Accounts Payable Bureau Director.

TO: Michael Weld-Eyob, Director
Attn: Sue Patts-Nagy
Accounts Payable Bureau
Office of the Comptroller
One Ashburton Place, 9th Floor
Boston, MA 02108

DATE: _____

See below for documentation submission requirements:

Letter on department letterhead , addressed to Michael Weld-Eyob, which must be signed by the departments Chief Fiscal Officer (CFO), explaining the reason(s) for the late encumbrance(s)

**Applicable back up documentation in accordance with the object code requirements.
See Expenditure Classification Handbook for further guidance**

Please complete Doc Code, Dept, and 20 Character ID Number (all 20 digits) below:

Item	Doc. Code	Dept	20 Digit ID Number	Version Number
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Section Seven

Interdepartmental Business (ISAs and Chargebacks)

Section Introduction

An Interdepartmental Service Agreement (ISA) is a contract between two state departments that fulfills the legislative mandates of both departments. ISAs are used if contracting with another state department provides a “better value” than contracting with an outside vendor. The contract enables multiple departments to jointly fulfill the same or similar legislative mandates.

Departments are responsible for adhering to the [Policy on Interdepartmental Service Agreements \(ISAs\)](#) in the CTR Web Portal. This policy provides instructions and forms for ISAs and ISA amendments. It also covers the 815 CMR 6.00 regulation, which provides the rules and procedures for conducting interdepartmental fiscal business, including ISAs, which require a transfer of funds between two departments.

Most ISAs are set up annually on a state fiscal year basis; however, ISAs should have a duration that makes sense from a business perspective. For example, multi-year ISAs are encouraged if they best support the business process. Similar to other types of contracts, all ISAs are subject to appropriation and/or the availability of funding.

Fiscal year 2008 opening for Buyer processing of ISAs by appropriation type can start as outlined below:

- For Budgetary Funds 1CN and 1CS: Buyer departments may start processing ISAs as soon as MMARS is open for FY2008 business. ISAs may be processed based on provisional dollars in House 1; however, allotments will be made after the GAA is loaded.
- For Budgetary Funds 1IN, 1IS, 1RN and 1RS: Buyer departments may start processing ISAs when MMARS is open for FY2008 business and the value of the ISA does not exceed the uncommitted estimated receipt in the buyer budget line.
- For Capital Funds (2CN): Buyer departments may start processing as soon as the Obligation Ceiling of the buyer account has been established on the FY2008 budget line. Spending for all capital accounts, including seller budget lines, will be controlled by the capital budget structure so each line should be fully allotted in the central budget structures.
- For Trust Funds (3TN, 3TX): Buyer departments may start processing ISAs when MMARS is open for FY2008 business and the value of the ISA does not exceed the uncommitted estimated receipt in the buyer budget line.
- For Federal Funds (4FN): Buyer departments may start processing as soon as the budgetary estimated receipts have been established in the buyer budget line.

For **new** or **single year** ISAs that are being renewed, departments should submit the appropriate ISA or ISA renewal package to CTR's Contracts Unit for review and approval no later than Friday, June 1st to ensure processing in time for the first FY2008 payroll run and contract encumbrances with July 1st effective dates. Buyer departments will be required to enter the applicable budget document (BGCN for non-subsidiarized or BGCS for subsidiarized) into MMARS. The budget documents will automatically workflow to the CTR Contracts Unit. CTR will process the budget document to final status as long as the supporting ISA paperwork is received and is completed correctly.

Seller Budget Line Roll for FY2008 (Existing Multi Year ISAs)

- Early to mid May CTR will provide ANF with a listing of multi-year seller accounts that need to be active in FY2008 as long as (1) the buyer budget line is valid in FY2008 and (2) the seller budget line is supported by a valid multi-year ISA on file with CTR. Those budget lines will roll into FY2008 based on CTR Contracts Unit supplying ANF with a listing. The roll will create \$0 budget lines for the seller, which sets the stage for:

Non-Subsidiarized Accounts

- (1) Early June, CTR will provide ANF with an updated listing of multi-year seller accounts that need to be active in FY2008 and will include the dollar value of the FY2008 portion of the ISA based on the latest version of the ISA that is on file at CTR.
- (2) ANF will then, via an interface, load the applicable BGCN or BGCS. For any that reject,

- (3) CTR will handle the cleanup with assistance from the Buyer department, if necessary. NOTE: Appropriation Type 4FN will be loaded as reject so that CTR Contracts Unit can link the seller line to the applicable revenue source code and then put the document to final status.

Subsidiarized Accounts

- (1) In preparation for the seller budget line roll and prior to it, for subsidiarized accounts, a file will be sent to Buyer departments for verification of the object class breakout based on the latest version of the ISA on file at CTR

Balance Forward for Capital and Trust Account Seller Budget Lines

The seller budget line roll establishes the FY2008 portion of the ISA, which also sets up the seller budget line so that it is in place for the automated balance forward when it starts near the end of July.

ISAs that expire 6/30/07 or before will not be rolled.

A buyer department that determines that a seller budget line should have rolled but did not, should contact CTR's Contracts Unit Susan.Patts-Nagy@state.ma.us

ISA Seller Account Allotments

Any FY2008 ISAs in Budgetary or Capital accounts, that are processed **before** the GAA passage should be completed without an allotment because the buyer budget line does not have an expenditure ceiling until the GAA is passed. Once the GAA passes, ANF will process an automatic allotment that will also hit the seller lines that have been set up and funded.

Any ISAs in Budgetary or Capital accounts, processed **after** the passage of the GAA, should include allotment lines reducing allotted funds in the buyer, and increasing allotment in the child. If funds are not allotted at this time, the seller account will wait until the second periodic allotment, unless the buyer requests a zero-sum allotment from ANF to reduce the buyer's allotment and increase the seller's allotment.

Any FY2008 ISA in a Trust account should include the allotment as part of the BGCN set up in accordance with funding available in the buyer's budget line. The ANF auto allotment will not hit seller budget lines that are trust accounts.

ISAs pending at CTR (paperwork has been submitted but not yet put to final status) at the time of GAA passage, CTR will work with the applicable buyer departments to ensure that allotments are added to the pending document(s).

Reminder: If the seller (child) department has multiple ISAs with the same buyer (buyer) that are all funded by the same account, the total dollars for all ISAs will be shown on a single seller budget line. The seller (child) will be required to properly account for expenditures in accordance with the terms and funding specifications for each individual ISA. Establishing departmental budgets for each ISA within the seller budget line is a mechanism available to account separately for each ISAs funding. Departments may also develop other internal control processes to perform this function.

ISAs Funded with Federal Funds – Indirect Costs Must be Negotiated as Part of ISA Budget

Expenditures in a seller account may trigger indirect costs. Both the buyer and seller department are responsible for negotiating the type of expenditures authorized under an ISA and determining if the expenditures will trigger the assessment of indirect costs. These costs must be included as part of the ISA and funded as part of the ISA budget. Departments requiring information on whether an expenditure will trigger an indirect cost assessment should contact the Federal Grants and Cost Allocation Unit at CTR.

Fringe Benefit Costs

This is a reminder that Seller budget lines in all account types that include compensation to regular employees (object class AA), and to contracted employees (CC) supported by an ISA, must also include the DD (D09) object class. This is necessary to cover mandated chargebacks for employee pension, health insurance, and terminal leave expenses from federal grants, expendable trusts, capital accounts and all other non-budgetary accounts to centralized state administrative accounts. Also, this is necessary to cover the cost of Unemployment Compensation Insurance Premium (UI), Universal Health Insurance (UHI) contribution, and the employer share Medicare Tax (MTX).

Seller Budget Line Activity

The chart below outlines what happens to uncommitted dollars remaining in seller budget lines at the end of FY2007 Accounts Payable for both single and multi-year ISAs.

	Budgetary (1CN, 1CS, 1IN, 1RN, 1RS)	Capital and Trust (2CN, 3TN, 3TX)	Federal (4FN)
Single Fiscal Year ISA	Uncommitted balances in seller budget lines will not be returned to the buyer account unless the buyer has Prior Appropriation Continued (PAC) authorization. With this one exception, all unspent balances in budgetary seller budget lines will lapse.	CTR will return uncommitted balances in seller budget lines to the buyer line at the end of the FY2007 accounts payable period.	Uncommitted estimated receipt balances do not balance forward; therefore, no adjustment is required. In the unlikely event that an unexpended balance remains in the seller budget lines, CTR will move the cash to the buyer line and adjust any future cash draws accordingly.
Multi Fiscal Year ISA	Uncommitted balances in seller budget lines will be reverted to the buyer line at the end of the fiscal year unless the buyer has a PAC authorization. It is the responsibility of the buyer department to determine how the PAC authorization should be distributed between the buyer and seller budget lines and to contact CTR's Accounting Bureau, Budgetary Unit	Uncommitted balances will balance forward.	Uncommitted estimated receipt balances will not balance forward; therefore, a new BGCN document is required. See guidance in the chart below. In the unlikely event that an unexpended balance remains in the seller budget line, the cash will be brought forward to the child budget line.

Seller Account Carry-Forward Process for Federally Funded/Multi Year ISAs (To Be Completed On or Before 9/28/2007)

Step 1.	<p>Seller department authorized signatory requests a carry-forward of unused dollars from the FY2007 portion of the ISA in writing to the Buyer.</p> <p>NOTE: e-mail is acceptable, however if the Buyer department requires a hard copy letter or something else to be submitted, the Seller should comply.</p>
Step 2.	<p>Buyer department reviews the seller departments request for carry-forward which includes (1) Reconciling the spending in the Seller budget line for the previous FY, (2) Requesting an increase in its own budgetary estimated receipts for the current fiscal year if necessary, and, (3) Completes any additional internal departmental requirements.</p>
Step 3.	<p>Buyer department approves the request and then enters a BGCN transaction in MMARS for the current fiscal year using event type BG12 with a decrease to the buyer budget line and event type BG12 with an increase to the Seller budget line.</p> <p>The Document Comments Field must include the boilerplate language below:</p> <p><i>Carry-In from FY2007 in the amount of \$ _____ to the FY2008 portion of existing/on file at CTR multi year ISA.</i></p> <p><i>Total maximum obligation of the supporting ISA (all years) is \$ _____</i></p> <p>The BGCN document identification number needs to be done in accordance with the ISA document identification numbering standards. For example: if the last number was ISAEPS00000001POL07A, the carry-in BGCN doc id # would be ISAEPS00000001POL07B, or you may use 7CF as the last three digits to stand for FY07 carry-forward.</p> <p>Reminder: If the Buyer department does not agree to extend the total unspent portion of the ISA to the Seller department in the current budget fiscal year, a formal ISA amendment signed by both the Buyer and Seller is required and a copy must accompany the BGCN request that is sent to Office of the Comptroller.</p> <p>Note: The submitter of the BGCN must be an authorized signatory. This serves as the Buyer electronic approval of the request.</p>
Step 4.	<p>Buyer department notifies the Office of the Comptroller (CTR) via e-mail to Susan.Patts-Nagy of the applicable BGCN(s) document identification number(s). This triggers CTR to retrieve the document from the work list for review; which includes inserting the applicable revenue source code in the child budget line and processing the document to final status.</p>

ISA-Related BGCN/BGCS Completion

The Comptroller's Office is aware that there has been an increase in the number of ISA related BGCN/BGCS transactions being completed incorrectly. This impacts the time to approve and complete processing. Therefore we have developed a chart for your reference which is located in the CTR Web Portal under the business function Contract/Interdepartmental Business. See "[ISA-Related BGCN/BGCS Completion](#)"

Please make appropriate staff aware and use this aid for both buyer and seller in the completion of these transactions.

Document Comments

MMARS functionality allows the addition of comments to documents. This field allows a maximum of 1500 characters. Document comments may be queried from the data warehouse from reference table M_Reference_Document_Comments. Currently, the CTR Accounts Payable Bureau, Contracts/Tax Management Unit are using comments for:

Rejected BGCN and BGCS Documents - When a pending transaction is rejected by the Office of the Comptroller (CTR), a reason for the rejection is entered in the Comments field. In the document catalog these rejects are noted with a 'Yes' in the comment column. As part of a department's daily document catalog management, a department should look for these

rejected transactions, review the comments entered and take the appropriate corrective action.

Documents will be physically returned if the department does not correct the errors within 5 business days.

Interdepartmental Chargebacks – Internal Vendor Code

Interdepartmental Chargebacks are fee-based charges for statutorily authorized commodities and services which are available to State Departments on an *ad hoc* request basis, a *public fee* basis, or *statewide* chargeback basis. Departments must have specific legislative authorization to conduct chargebacks.

Departments that were set up for FY2007 as authorized chargeback departments with an Internal Vendor Code and a designated revenue source code DO NOT have to reapply for chargeback status for FY2008. Once approved, all chargebacks will remain active until legislative authorization for the chargeback ceases. IE's may be processed starting July 1st or as soon as House 1 has been loaded.

- To ensure that sufficient funds are set aside by Buyers to support the cost of CHBK performance, Sellers MUST issue IEs for the total anticipated value of the performance for the full period of the need (e.g., fiscal year, monthly, weekly, one-time need).
- Sellers that provide on-going services on a fiscal year basis must submit IEs at the beginning of the fiscal year (starting July 1st or as soon as House 1 is loaded) for anticipated costs for the full fiscal year, and may not submit IEs quarterly or bi-annually for this performance.

Chargeback departments are required to submit IEs to Buyer Departments PRIOR to providing chargeback goods or services based upon estimated costs. Sellers must then NOTIFY Buyer Departments by email, phone or fax with the IE DOC ID informing the Buyer that they are required to retrieve the IE and complete the accounting line information within 30 days. Buyers must then NOTIFY Seller Departments by email, phone or fax with the IE DOC ID informing the Seller that the accounting information is complete and that the seller must submit the document to final status. The same process of entry and notification will repeat for the Internal Payment process (ITI – seller, ITA - buyer). Please refer to Job Aids under Internal Business for additional guidance.

- Seller Departments MAY NOT provide chargeback performance unless an IE sufficient to cover the performance is encumbered in MMARS to support the performance.
- Buyer Departments MAY NOT request or accept chargeback performance for which the Buyer does not have, or anticipates that it will not have, sufficient funds to encumber an IE for the performance.

All authorized Seller/CHBK departments will be assigned an Internal alpha Vendor Code that appears as follows:

1. The first four letters "ISELL"
2. The next letter will indicate the legal basis for the chargeback:
"B" (budgetary), "S" (statutory) or "A" for (administrative)
3. The next three letters identify the service identifier (example: bureau of Computer Services charges will be "BCS")
4. The last three letters identify the authorized Seller Department.

Departments not currently authorized for Chargebacks must apply for an Internal Vendor Code. The Chargeback Department Authorization Form is available in the "Forms" section under "Accounts Payable" in the CTR Web Portal and must include the following:

1. Descriptive name of the authorized chargeback.
2. Legal citations AND the actual statutory or legislative language authorizing the chargeback. The language must be explicit. Inferred charges will not be authorized. Budgetary authorization must appear in both the House and Senate versions of the budget or in the final GAA to support the application.
3. A breakdown of the specific charges or the methodology for calculating the charges to a department. The charges or methodology must be detailed and capable of being verified against the actual charges to chargeback departments. Chargeback departments may not charge more than what is authorized in statute or regulation or, if no restriction is identified, no more than the actual costs for providing chargeback services.

Chargeback Department Authorization Forms must be sent in paper or electronically to the CTR Legal Bureau for review. ATTN: [Jenny Hedderman](#) or fax number 617-973-2555 or 9th Floor One Ashburton Place, Boston MA 02108.

Intergovernmental Encumbrances (IE)

Reports from Seller Departments indicate that all IEs have been issued. Beginning June 1st all IEs will go to pend status. Departments should notify John Newell through email to approve the IE document.

Interdepartmental Voucher (ITA)

All FY Closing ITAs entered between July 1st and August 31st will require Fiscal Year 2007 equal to Budget Fiscal Year 2007 and period on the accounting line.

Section Eight

Accounts Payable Management

Section Introduction

This section highlights the management of expenditures during the FY2007 Closing and FY2008 Opening processes. Payments must be made in accordance with the Commonwealth's [Bill Payment Policy](#). State Finance Law requires that annual appropriations may be expended only for expenses for the same fiscal year. (See [M.G.L. c.29, §12.](#)) Goods and services to be paid for with current fiscal year appropriations must be received and accepted within that same fiscal year (July 1-June 30) (see [M.G.L. c. 4, §7](#)). Also, you will find detailed information and procedures regarding the closing of Dynacash accounts. The [CTR Web Portal](#) provides information access to policies and procedures and should be consulted for routine questions.

Public Information and Privacy Concerns

MMARS document IDs (encumbrances, payments, etc.), vendor invoice numbers, contract numbers, check descriptions, and any comment fields MUST NOT contain personal information (such as individual's names, SSN numbers, bank account numbers, date of birth, addresses etc.) or other information that could jeopardize privacy or facilitate identity theft. MMARS document IDs and key comment fields may be printed on checks, sent electronically as part of remittance advice, and will appear on VendorWeb (and may be viewable for public records requests), therefore care must be taken that individual personal information is not used.

CLOSING

Payment Request

Under no circumstances should FY2007 funds be used for FY2008 expenditures or vice-versa, unless specifically allowed with appropriate legislative language. The system will automatically reject Payment Requests entered after June 1st that does not reference an encumbrance. Departments should confirm with vendors that all goods and services are to be received or completed by June 30th. If a product acceptance period is required, it must conclude prior to August 31st in time to enable final payments, if any.

Processing Payment Requests

Accounts payable 2007 payment request documents: PRC, GAX, INP transactions in the document catalog that are not in FINAL status overnight on June 30th may reject on July 2nd with a variety of error messages and must be corrected.

- During the accounts payable period the **fields - Fiscal Year, Budget Fiscal Year, and Accounting Period** - must be completed for all payment requests.

Coding Payment Request During Accounts Payable Period

Payment made on July 1, 2007 and after:

	Budget FY	Header Fiscal Year	Period	Budget FY	Line Fiscal Year	Period
FY2007 Payment Requests	2007	2007	13	let default	blank	blank
FY2008 Payment Requests	2008	2008	1	let default	blank	blank

Budget FY and Fiscal year are not required fields, but should be entered on the Header. If entered on header, the posting will infer to the accounting line. The accounting line will not show Fiscal Year and Period, but the posting code will.

Inputs to the line, will take precedence over what is entered on the header. I.e.: If you put period 1 on the header and period 4 on the line, the posting code will show period 4.

Final Payment Request on Hold

All FY2007 payment requests in Final status and on hold on DISRQ must be out of hold status by August 30th. Documents in hold status should be handled in one of the following ways:

1. If the vendor is due the payment, release the payment from hold and allow it to disburse.
2. If the vendor is NOT due the payment, choices are:
 - A: If no lines on the payment document have disbursed discard the payment (cancel it).
 - B: If lines have disbursed the document cannot be cancelled; modify the open line(s) to zero.

For instructions on how to identify final payments on hold, go to (DISRQ User Hold Lookup)
These payment document codes include: GAX, GXM, GX9, INP, PRC, PRM, PRN and RA.

Accounts Payable and Extension Period

The FY2007 accounts payable period closes on August 31, 2007. After that date, departments will not be able to make payments against FY2007 encumbrances. The Office of the Comptroller plans to lapse all remaining FY2007 encumbrance balances following the conclusion of business on August 31st. The August 31st encumbrance lapse applies to encumbrances in accounts in all appropriation types, in continuing as well as non-continuing accounts. To the extent that a department's necessary FY2007 payments have not yet been finalized, your staff must obtain, validate, and pay any outstanding FY2007 bills.

A department that is unable for certain reasons to conclude essential FY2007 accounts payable business by August 31st may request ANF to approve an extension of specific encumbrances until September 15, 2007, via ANF's Platform program. Specific instructions, including acceptable circumstances for making such a request, will be issued separately by ANF in August and will be posted on the Commonwealth of Massachusetts [Administration and Finance website](#). Due to financial reporting deadlines, encumbrances in continuing accounts cannot be extended.

Late Submission of Invoices – Liquidation of Payment

A vendor's failure to submit an acceptable invoice even for perfectly valid FY2007 goods or services in time for payment by August 31st is not sufficient justification for an encumbrance extension.

In rare circumstances, a vendor may fail to submit an invoice for goods and services (performance) that have been delivered prior to June 30, 2007 and have been accepted by the Department as contract compliant. It is presumed that as part of fiscal year closing activities the Department has internally verified receipt and acceptance and the value of the performance delivered on or before June 30, 2007 in accordance with the contract terms, in preparation for verifying

invoices once received. Departments should make every effort to notify vendors of outstanding invoices and the value of the performance provided by the vendor that has been verified by the Department.

If it appears that a Department may not receive invoices by August 10, 2007, and the Department can verify receipt of goods and services by June 30, 2007, and the value of the performance in accordance with contract terms, the Department should fax a written notice to the vendor(s) with the following language:

In order to ensure that funds appropriated and encumbered in fiscal year 2007 for the performance delivered does not revert at the end of the accounts payable period on August 31, 2007, thereby becoming unavailable for expenditure, you must submit final invoices no later than August 17th confirming outstanding obligations for performance delivered on or before June 30, 2007. If you fail to respond, a payment in the amount of \$[amount certified by Department] will be scheduled for payment on August 24th which represents full satisfaction of any and all outstanding amounts owed."

Final payments allow the Department to close out the contract without reverting funds that have been properly encumbered for a contract and are available for expenditure. If amounts are disputed, then the Department should make a partial payment at the level certified by the Department and identify any remaining amounts in the encumbrance for Accounts Payable Extension. Additional contested amounts, which cannot be paid prior to September 15th through the Accounts Payable Extension process, would default to the prior year deficiency process for non-continuing accounts.

Note that departments receiving appropriations in FY2007 final supplemental budget must work to encumber and expend those funds by August 31st. Any exceptions to this must follow the normal extension request process outlined in this document above. FY2007 accounts payable encumbrances are valid only for services rendered or goods delivered on or before June 30, 2007. Completion of services or delivery of goods after this date means that those services or goods are valid FY2008 obligations. A department that has routine FY2007 invoicing that simply cannot be completed in time should make use of the Comptroller's "prior year deficiency" process.

Please note that it is inappropriate, and a state finance law violation, to intentionally delay acceptance of invoice, or to hold or delay processing of invoice past the end of the accounts payable period in order to trigger payment through a prior year deficiency. Equally inappropriate, is intentionally delaying receipt or acceptance of goods, services or other performance past June 30th in order to move the obligation into the next fiscal year because there are insufficient funds in the current fiscal year to make payment. CFOs should remind staff of state finance law obligations and that violations are actionable under [M.G.L. c. 29, s. 66](#).

Recurring Payments

Ready Payment schedules have been established to support system-produced transactions throughout the accounts payable period.

The Settlement period is the final yearly period on each recurring schedule and is to be used for the close out reconciliation.

It is important to note that any PRN that has been generated must be fully recovered by close of business June 30, 2007.

Request for Advance (RA), Expenditure of Advance (EA), Advance Refund (AR)

The department must account for all FY2007 advances before any FY2008 advance will be processed. In most cases, the target date is July 5th but no later than August 31st. This accounting is performed through documentation of the expenditure of the advance (EA) or cash rePayment of any balance remaining by processing an advance refund (AR).

From July 1st until August 31st, if an EA transaction references a prior year encumbrance, you must enter the appropriate accounting period for FY2007.

Closing Advances

To close the type 05 (DYNACASH) FY2007, the following steps must be taken:

1. The department deposits a check into its sweep account.
2. The department prepares an AR and submits the AR to a PENDING status. When viewed on the document catalog, the amount must be \$0.00 reflecting that this is a net zero payment. Refer to the AR Job Aid for details on document completion.

Departments with Emergency Payroll Dynacash Accounts

This subsection pertains to Dynacash accounts used for emergency payroll payments at fiscal year end. All departments must account for FY2007 advances prior to FY2008 advance requests. We recognize that there is a timing issue for Dynacash accounts and related advance processing at fiscal year end when there have been emergency payments issued.

If there is a need to issue an emergency payroll check from a department's Dynacash account for the payroll period May 27th – June 9th (checks dated June 15th), then the recoupment of the Dynacash amount in the following payroll cycle, June 10th – 23rd will be credited back to the department's Dynacash account on June 29th.

If there is an employee check problem during the June 10th - June 23rd cycle, departments will need to issue a Dynacash check on June 29th. This payment must be issued from an FY2007 advance. FY2008 requests for advance (RA) may be entered into MMARS during June in a reject status. E-mail request to the Payment Unit

(See the [Comptroller Staff Directory](#)) to support immediate activation of FY2008 advance should be forwarded to CTR by June 30th. Funds will be available July 2nd for approved requests and the transactions will then be processed on July 3rd or July 5th.

A few departments will have FY2008 requests for July 13th payroll checks pending before the return of the FY2007 advance. In those cases, the request for the FY2008 advance must be accompanied by the CFO's verification that a Dynacash deduction is pending for a June 30th credit.

Prior Year Deficiencies

Departments should submit their Prior Year Deficiencies as soon as they are aware of them so that we can plan for them.

Please note that it is inappropriate, and a state finance law violation, to intentionally delay acceptance of invoice, or to hold or delay processing of invoice past the end of the accounts payable period in order to trigger payment through a prior year deficiency. Equally inappropriate, is intentionally delaying receipt or acceptance of goods, services or other performance past June 30th in order to move the obligation into the next fiscal year because there are insufficient funds in the current fiscal year to make payment. CFOs should remind staff of state finance law obligations and that violations are actionable under [M.G.L. c. 29, s. 66](#).

OPENING

Payment Request

From July 1, 2007 through September 15, 2007 all Payment Requests documents must have the identifying FY and Bfy fields filled out with the appropriate information on all headers. For FY 2007 payments, the header should be set up as FY2007, Bfy2007 and for FY2008 should be set up as FY2008 and Bfy2008 with the appropriate accounting period.

Advances

Emergency Advance accounts are recommended in all departments. No requests for advances will be approved for FY2008 until all FY2007 advances are properly accounted for. There may be a few departments that will have FY opening requests for June 30th payroll checks pending before the return of the FY closing advance. In those cases, the request for the FY 2008 opening advance must be accompanied by the CFO's verification that a DYNACASH deduction is pending.

Vendor Communications - Invoice Number and Payment Remittance Information

The Vendor Invoice Number is the primary communication vehicle on the remittance advice (both electronic and paper). This number is 30 characters and must be unique for each payment made to a payee/customer. As part of a Department's opening activities, it is encouraged to review procedures for establishing Vendor Invoice Numbers. Where possible, vendors should be consulted prior to a change in the basic data or format of the vendor invoice number (payment reference number).

Two standard lines of vendor invoice related data appear on the remittance advice or EFT file. Line 1 includes the Vendor Invoice Number, the Document ID of the payment request, and the department telephone number, which is disbursement contact information taken from unit table or, if not established there, from the department table, and amount. Line 2 includes the department location and department name, taken from Unit or Department Table as appropriate. This data appears on both EFT and checks.

Section Nine

Payroll/LCM Management

Section Introduction

This section provides detailed guidance on finalizing year-end payroll processing. Departments should read these instructions thoroughly to minimize unnecessary delays and problems with the fiscal year closing.

Expiring Accounts – Limits on Expenditure Corrections

State Finance Law requires that funding be in place before services or other obligations can be requested or accepted by contract employees or regular employees (including contractors or employees funded through an ISA). Specifically, under [M.G.L. c. 29, §26](#); [M.G.L. c. 29, §27](#); and [M.G.L. c. 29, §29](#) departments may not incur a liability for the Commonwealth in excess of their appropriation or allotments and the Comptroller may not permit the disbursement (payment) or incurring of an obligation (encumbrance) without a sufficient appropriation and allotment.

If accounts are expiring, contracts must be terminated or suspended, personnel must be terminated, or contracts or personnel must be transferred to authorized appropriations.

Departments are also reminded that when they certify an expenditure, the department is certifying that the expenditures were properly made from authorized accounts. The Comptroller may not make journal entry (expenditure correction) between accounts if the account ultimately to be charged had insufficient funds at the time the amount was expended from the other account, unless prior notice is sent to HOU and SEN Ways and Means. See [M.G.L. c. 7A, §3](#).

LARQs are appropriate only to correct accounting **mistakes**. LARQs should not be utilized to transfer expenditures incurred in one account in anticipation of funding in another account (such as waiting for an ISA, federal funds, or a supplemental appropriation). Expenditures for personnel or contract employees that are transferred to other account(s) because an account was not reauthorized, was reauthorized late, or was not established (child account for an ISA) may not retroactively transfer the expenditures incurred in the other accounts to the reauthorized or newly established account. See Expenditure Correction policy in Section 3.

Split Year (Cross FY) Payroll

Split Year for FY2007-FY2008 will span the pay period 6/24 – 7/7 and will be processed on Tuesday July 10th. On July 11th, the MMARS system will be down all day.

Split Year Payroll will be consistent with last year's practice. Key points to remember are:

- Current pay period postings will be prorated based on 10 workdays in the period.
- Prior Period Adjustments will charge 100% to prior Fiscal Year.
- The Split Year memo will provide details about distribution percentages and exceptions.

Payroll Management

Contractor Payroll Contract Employees

No new HR/CMS positions are needed in HR/CMS for Contract employees continuing employment in new Fiscal Year.

Labor costs for all contract employees paid through HR/CMS post to the CC object class.

Employees cannot be consultants. [M.G.L. c. 29, § 29A](#) applies only to “non-employees” and therefore does not apply to contract employees. The [Expenditure Classification Handbook](#) provides object codes for contract employee types.

The contract requirement for having a Commonwealth Terms & Conditions and a valid Standard Contract Form executed by the department and the contract employee remains unchanged. For FY2008 performance, a Standard Contract Form must be executed or renewed no later than June 30, 2007.

Contract employee pay will be subject to the same funds availability controls as regular employee payroll; however, funding of regular employees will take priority over contract employee processing. Regular employee payroll will not be held if funds are insufficient to pay contractors.

Rules

Position Authorized Accounting (POAA) Rules

In order for expenditures to be directed from an appropriation different than the HR/CMS position assigned appropriation, Departments must first receive CTR POAA Rule approval prior to establishing the appropriate LCM distribution document.

Rules are Fiscal Year based. In June, CTR will roll all POAA Rules. The POAA roll expires all of the current Rules as of 6/30 and creates DRAFT rules effective 7/1 going forward. *Departments will need to resubmit approval requests for any Rules continuing 7/1 and thereafter.*

Note: Alternate Account and LCM FACTR Rules do not roll; therefore, new LCM rules will need to be entered.

Payroll Rejects (PRLIF/PRLDE)

PRLIF/PRLDE transactions are generated when an HR/CMS payroll expense has missing or erroneous data (i.e., incorrect expense budget or a missing program code, etc.).

All FY2007 payroll reject transactions and payroll accounts with negative uncommitted and unexpended balances must be corrected by July 9, 2007. Departments must post payroll rejects to accounting period 12 in Fiscal and Budget Year 2007 to ensure that payroll expenditures are recorded in the appropriate fiscal year.

Regular Employee and Contractor Payroll Refunds (PRRV)

Payroll Refunds should be processed immediately. Departments must deposit cash to their sweep accounts and submit the Payroll Refund Receipt Voucher (PRRV) form and MMARS document to ensure employee Retirement and Departmental Appropriation balances are updated in a timely manner.

After the department enters PRRV MMARS document detailing the cash deposits, CTR Payroll and Retirement Board staff must enter the PRRV employee corrections in HR/CMS and the Retirement system. The HR/CMS transaction updates labor history in LCM and creates PRRFC (current year) or PRRFP (prior year) documents in MMARS. CTR Accounting then reconciles the PRRFC and the PRRV MMARS transactions.

It is the department's responsibility to ensure the Prior FY Refund (Receipt Voucher) is processed in a timely manner. This will ensure the PRRFP is processed during the allotted close/open time frame.

For detailed instructions see [Job Aid regarding PRRV](#).

Payroll Hold Transactions

Accounts Payable payroll refers to payroll expenses (wages) earned on or before the end of the Fiscal Year (June 30th) but paid during the accounts payable period. All Accounts Payable payroll expenditures – including Federal Grants* - must be set aside as encumbrances in MMARS via a Payroll Hold (PH).¹

Payroll Holds are needed at the Object Code Level for AA, BB, and CC expenditures to support payroll. **If PHs are not processed in time, expenditures will go unfunded and checks will be held.** (All PHs will be work flowed to CTR in order to help ensure proper setup.) Please be sure to set up PH lines with all anticipated object codes.

Departments create and modify all PH documents in MMARS. Departments can modify the PH amount upwards and downwards with the following level of approval.

- Between the time period of May 1st to May 30th all valid PHs should process without ANF's approval.
- Between June 1st to June 30th ANF approval is required for PHs processed by Executive Departments where the Appropriation type is all account types and the amount is equal to or greater than \$25,000.
- After June 30th, all PHs require ANF's approval but will workflow to CTR.
- As payroll adjustments occur, the departments may modify their PHs to adjust encumbered amounts as long as ANF approves the modification.

At the end of the accounts payable period, unspent balances will be lapsed as part of the Comptroller's lapsing program. A deficiency payroll process should handle any Accounts Payable payroll that was not processed during the accounts payable period.

Accounts Payable Payroll

State Finance Law requires that annual appropriations may be expended only for expenses for the same fiscal year. (See [M.G.L. c.29, §12.](#)) This means goods and services to be paid from current fiscal year appropriations must be received and accepted within that same fiscal year (July 1-June 30) (see [M.G.L. c. 4, §7.](#))

All payroll expenses processed during the Accounts Payable period must charge a Payroll Hold and must be budgeted for when calculating UI/UHI and Medicare Chargebacks (Object code DO9).

Departments will have at least three opportunities to process accounts payable payrolls between July and August for services performed during FY2007. The Split year Pay period is NOT part of Accounts Payable.

Funded/unfunded activity will appear on the current LCM Predictive Reports. There will not be separate Fiscal Year Reports.

Departments with Emergency Payroll Dynacash Accounts

All departments must account for Fiscal Year advances prior to making any current Fiscal Year advance requests. Dynacash payments must be recorded in the Fiscal Year that corresponds to the Pay Check Pay Date. All HR/CMS paychecks have a Friday Pay date.

To ensure the proper Fiscal Year accounting, the following guidelines have been established:

- If there is a need to issue a Dynacash check for pay period May 27th – June 9th (checks dated June 15), then recoup Dynacash in the following pay period (6/10/07- 6/23/07) and credit back to the department's Dynacash account on June 30th.

¹It had been intended to lift the requirement, but testing revealed that even though LCM doesn't require the PH for Federal Grants, MMARS does. If PHs are required for any type of Appropriation, it must be required for all. Therefore, the requirement is still in place.

- If there is a need to issue a Dynacash check for pay period June 10th - June 23rd (checks dated June 29th), this payment must be issued from an FY2007 Dynacash account. FY2008 requests for advance (RA) may be entered into MMARS during June in a reject status. Documentation should be forwarded to CTR and processed on July 2nd. Please e-mail Payment Unit (See the [CTR Staff Directory](#).) with any emergency requests.
- Departments with pending FY2007 Accounts and FY2008 emergency requests must submit with CFO's verification that a Dynacash deduction is pending for a June 30th credit.

Dynacash cannot be used to pay unfunded payroll expenditures.

OPENING

Payroll Processing

For budgeted funds, intergovernmental and federal grant accounts, provisional obligation ceilings will be loaded in MMARS in May. Employee payroll will be processed and payments will be issued in accordance with the approved interim budget. Special processing is not required if your FY2008 payroll appropriation was part of the House 1 load. ANF and CTR will work with departments to address any situation where timely extension of expiring accounts does not occur and the FY2008 payroll account does not exist in MMARS.

After the FY2008 General Appropriation Act (GAA) has been loaded, departments must reconcile the accounting discrepancies resulting from the fiscal year transition period. CTR, HRD, ITD and ANF staff will be available to assist departments on account structuring, position scheduling, and other changes after the Governor's approval.

Split Year

Split Year payroll processing will be consistent with last year's practice, and departments should familiarize themselves with them and the Split Year Section of this document.

Object Code Reclassification

As a reminder, the following Object Codes were changed last fiscal year:

Object Codes A02, A03, A04 & A05 merged to A01.
 Object Codes B01, BB1, and B1B merged to B01.
 Object Codes B04 & BB4 merged to B04
 Object Codes B05 & B06 merged to B05.

Payroll Accounting

HR/CMS Processing

Assigning Accounts to Positions is an HR/CMS human resource function and must be managed in accordance with the new Fiscal Year's GAA. Expiring accounts that are assigned to positions must be transferred by July 1 otherwise departments risk funding issues.

Note: Consolidating departments or departments with major account restructuring should contact CTR and HRD to arrange for mass automated position transfers and related security changes

Determination of Employee Work Status - Contract Employee vs. Independent Contractors – Posting or Procurement? *NEW REQUIREMENTS as of November 2006*****

Departments hiring "Individual Contractors" as either "contract employees" or "independent contractors" are required to comply with the policy [Individual Contractors - Independent Contractors or Contract Employees](#).

A department does not always know in advance whether services can be best performed by an individual contractor or by a company or firm. Therefore, whenever services are being performed, the department should apply the Commonwealth Three-Part Test to the business needs by completing the [Employment Status Form](#).

Contract Employees

If the scope of performance determined that this is an employee/employer relationship, the department may hire an individual as a contract employee through its regular recruitment process for other employees. Payments must be either through HR/CMS or e*mpac. For contract employees, the Commonwealth Terms and Conditions and the Standard Contract Form must be executed. To confirm the employment status when a contract is signed with an individual contractor selected from either an RFR (independent contractor) or posting (contract employee), attach a completed Employment Status Form to the Standard Contract Form.

The Attorney General's Office (AGO) may impose penalties if the three-part test shows that an individual should be a contract employee and the individual was misclassified as an Independent Contractor.

Independent Contractor

If the test determines that the individual falls into the Independent Contractor category, Executive Departments must use an existing statewide contract (unless a waiver is granted by the Operational Services Division (OSD)). If there is no statewide contract, the department may:

- Use an incidental purchase if the total value of the services for the duration of the need is \$5,000 or less, if object code allows. See link to Expenditure Classification Handbook - [Expenditure Classification Handbook](#),
- Conduct an RFR/procurement if value of the services for the duration of the need exceeds \$5,000.

Exception: Object Codes H09 and N03 for legal services procured by Executive Departments require prior approval of the Governor's Chief Legal Counsel prior to selection under MGL c. 30, s.65 and 801 CMR 21.01(2)(b) and prior AGO approval. These object codes also require secretariat sign-off for amounts over \$1,000. Independent Contractors must be paid through the State Accounting System (MMARS).

LCM Rollovers

In conjunction with new Fiscal Year processing and potential changes in MMARS Chart of Account Elements, certain tables in LCM must be maintained.

POAA Rules will be rolled automatically and will not be effective as of July 1. PALT Rules expire on June 30th. When payroll processes for July, these Rules will NOT be considered. Departments must reapply for All Rules. See the Rules section of this document.

Other distribution tables (DEACC and PCREQ) will remain effective through the new Fiscal Year and will be considered when payroll processes. Departments are responsible for ensuring these tables are in accordance with any new Fiscal Year COA.)

Employee Defaults (DEPTE) and Profiles (LDPR and EDPR) will remain effective through the new Fiscal Year and will be considered when payroll processes. Departments must ensure that employee distributions and profiles are valid. Any new FY COA elements will require new distribution documents effective as of July 1.

Note on POAA Roll- CTR will roll all POAA rules that have an Effective Date that would exceed June 30. The automated Roll will create a new POAA document in DRAFT status with a Begin Date of 7/1. Departments will need to reapply for approval in the new Fiscal Year. The former POAA will remain active but will only apply to activity prior to 7/1.

Payroll Certification

All expenditures, including payroll, of the Commonwealth must be authorized in accordance with [M.G.L. c. 29, § 20](#), [M.G.L. c. 29, § 31](#), and [M.G.L. c. 7A § 3](#). Expenditures for payroll are no different than expenditures for goods and services when it comes to the approval process. **Pursuant to M.G.L. c. 29 § 31, the Comptroller requires certification**

from each spending authority that each employee receiving a salary under the warrant is being paid for duties performed directly for the employing agency and not for duties performed for another state agency. Expenditures under HR/CMS are paid in arrears based on a centralized time and attendance system, which must be certified by an authorized department head signatory as follows:

This payroll has been processed in accordance with the Commonwealth's Payroll Policy, State Finance Law and this department's Internal Control Plan. The amount listed has been certified to the Comptroller through the payroll system for payment. This certifies that time and attendance for each employee is on file in this department and has been approved by the appropriate manager to support amounts paid. This approval and supporting details will remain on file in this department for three years for review by the Office of the Comptroller or other auditing entity.

Department Head Signature Authorization may NOT be delegated to a "contract" employee, to any "non-employee" (such as a consultant, or employee of an outside entity, an Authority or quasi-public agency) or to an employee of another department since these individuals may NOT act as agents of the Department Head.

Employees with "Administrator" security roles and signatory authority may bring a document to final phase by applying an electronic Department Head signature (without a written signature on the document). Individuals with "Administrator" security roles without signatory authority must obtain a "wet" signature signoff from an individual with an authorized signatory Administrator security role on either a screen print of the document or on a [Records Management Authorized Signature Form](#) PRIOR to bringing that document to final phase.

Shared Administrative Processing Does Not Mean Shared Department Head Signature Authorization

Each Department is legislatively mandated to perform duties as outlined in enabling legislation and the General Appropriation Act. Although Departments have flexibility to fulfill these mandates by "contracting" out for performance with outside contractors and with other state agencies under Interdepartmental Service Agreements (ISAs), the Department Head remains obligated for fulfilling these mandates, and these legislative obligations can not be "transferred" to another state agency without legislative authorization. ISAs are authorized only to enable two departments to fulfill a joint mandate, not to transfer a program or responsibility for performance to another state agency. Therefore, a Department Head can not transfer their decision making authority (signature authorization) to an employee of another department.

Some departments are moving towards consolidating processing of administrative functions, such as payroll and MMARS document processing using a "shared processing" model. Either by legislative authorization or through the use of Interdepartmental Service Agreements (ISAs) Departments are designating individuals to "process" documents in MMARS on behalf of multiple departments.

However, shared processing does not mean "shared approvals". Department Head Signature Authorization can not be delegated to employees in another department, therefore, each Department is fully responsible for managing its business and signing off on all obligations, contracts, payroll, payments, etc. For example,

An employee of Department A can not assume the role of signing off or managing the business operations of Department B and can not act as a legal representative of Department B. Departments can work cooperatively to conduct joint procurements, and other administrative processes, but decision-making and the act of "incurring a legal obligation" such as signing documents, remains with the authorizing Department and can not be "assumed" by another Department.

Therefore, if Department A has Administrator security roles that allow "processing" documents to "final" status on behalf of Department B, these documents may not be processed to final without signoff of the document by an authorized signatory of Department B.

CTR will periodically review DHSA and MMARS security as part of Quality Assurance reviews and Internal Controls.

Departments are responsible for compliance with the following policies related to Department Head Signature Authorization:

(Security) [Department Head Signature Authorization and Electronic Signatures for MMARS Documents](#)

(Security) [MMARS Security Policy](#)

(Contracts) [Delegation of MMARS Document Processing Authority and Quality Assurance](#)

MMARS Rollover Validation

Tasks in this section will help ensure HR/CMS, LCM and MMARS rolls have been completed, the data validated and systems are ready to record new FY activity.

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	Departments that have Positions tied to non continuing accounts	Identify the employees/positions that must be transferred due to account termination.	HR/CMS	5/2	6/14
<input type="checkbox"/>	EOHHS Departments	Review Activity table for EOHHS requirements	MMARS	5/11	6/2
<input type="checkbox"/>	Departments with Federal Grant Appropriations	Review Major Program table	MMARS	5/11	6/2
<input type="checkbox"/>	Departments that fund payroll with Capital (type 2) or Federal Grant (type 4) appropriations	Review Program table for Grants/Capital	MMARS	5/11	6/2
<input type="checkbox"/>	Departments that fund payroll w/ DCAM child appropriations	Review Program/Activity/Phase table for Capital Level 4 budget	MMARS	5/11	6/2
<input type="checkbox"/>	Departments that have LCM Detail Accounting Labor Distribution Fields	Identify Chart of Accounts codes to be added, changed or deleted on LCM Defaults	LCM	5/11	6/2
<input type="checkbox"/>	Departments that use POAA	Review new FY POAA Rules generated by Rules Roll. "Submit" continuing POAAs, "Discard" the non continuing POAAs.	LCM	6/1	6/14

New Fiscal Year Processing

This section includes the tasks for setting up all Tables for new FY processing.

As new FY changes are identified and documents created, it is important to use the correct Effective Date that corresponds to distribution. Generally a 7/1/XX Effective Date corresponds to new FY COA Tables.

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	Departments with non continuing payroll accounts	Transfer Positions that are assigned to invalid accounts in the new FY. Contact HRD to arrange Mass Position transfer.	HR/CMS	5/2	6/14
<input type="checkbox"/>	Departments that use Event Accounting Rules distribution	Verify whether current Department DEACC Rules should continue for new FY processing	LCM	5/2	6/14

<input type="checkbox"/>	Departments that use Alternate Account for payroll funding	Set up Alternate Accounts (PALT) Rules for new FY	LCM	5/2	6/14
<input type="checkbox"/>	Departments with "required" non-statutory COA elements	Review PCREQ Table for new FY	LCM	5/2	6/14
<input type="checkbox"/>	Departments that use POAA	Confirm POAA Rules are in "Approved" Status for new FY	LCM	6/1	6/30
<input type="checkbox"/>	Departments with changing COA elements	Set up Employee Default Distributions: DEPTE, LDPR and EDPR as desired for new FY	LCM	5/2	6/23
<input type="checkbox"/>	All Departments	Finalize MMARS Expense Budget Docs	MMARS	5/2	6/14
<input type="checkbox"/>	Departments that have Capital (type 2) or Federal Grant (type 4)	Finalize MMARS Capital and Grant Budget Documents	MMARS	5/2	6/14
<input type="checkbox"/>	All Departments	Create PH documents if required for AP Payroll	MMARS	5/2	6/30
<input type="checkbox"/>	All Departments	Before renewal, perform Contract Employees vs. Independent Contractors tests. Independent Contractors must be paid through the State Accounting System.	MMARS HR/CMS or e*mpac	5/2	6/30
<input type="checkbox"/>	All Departments	Process prior FY PRRV/PRRFC transactions in non-continuing accounts	MMARS	5/2	6/23

New Fiscal Year and Accounts Payable

This section includes tasks and other key dates for Payroll Processing

	Responsible	Task	System	Start	Due
<input type="checkbox"/>	All Departments	Enter Time and Attendance for Split Year payroll.	HR/CMS	6/28	7/9
<input type="checkbox"/>	All Departments	All prior FY payroll accounts with negative uncommitted and unexpected balances must be corrected.	MMARS		7/9
<input type="checkbox"/>	All Departments	Set-up Employee Default Distributions for Split Year payroll: DEPTE, LDPR and EDPR.	LCM	6/28	7/10
<input type="checkbox"/>	All Departments	Deadline for correcting prior FY PRLIF and PRLDE documents.	MMARS		7/9
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 7/21/07	HR/CMS		7/23
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 8/04/07	HR/CMS		8/6
<input type="checkbox"/>	All Departments	Last date to enter AP payroll for ppe 8/18/07	HR/CMS		8/20
<input type="checkbox"/>	All Departments	Last day to enter Final AP payroll for FY2007	HR/CMS		9/1
<input type="checkbox"/>	All Departments	Last day for FY2007 LARQs	LCM		8/31
<input type="checkbox"/>	All Departments	Payroll Hold (PH) Lapse (except departments with approved extensions).	MMARS		9/2
<input type="checkbox"/>	Departments with approved extensions	Final PH Lapse	MMARS		9/8

How Do I Learn More?

Questions about this document may be directed to your Department's MMARS Liaison. Additional information is available on the [CTR Web Portal](#).

Contact the Help Desk at 617-973-2468 for assistance in using LCM and MMARS
Contact Commonhelp at 1-866-888-2808 for any HR/CMS questions.

Section Ten

Revenue Management and Cash Receipts

Section Introduction

Departments are responsible for making diligent efforts to collect legislatively authorized, aged earned revenue/account receivables owed the Commonwealth. These efforts include, but are not limited to, the following debt collection cycle: initial billing, dunning, intercept, and debt collection. If all efforts are made and collection is not possible, a department can submit the debt to the Office of the Comptroller (CTR) for write off. In addition, Departments must pay special attention to year end closing instructions to account for all cash receipts in the appropriate fiscal year.

REs and CRs Guidance

- All FY2007 RE and CR transactions must be in a final status and be ready for the RE Roll by 7/7/07.
- No department statements will be generated until the department's receivables roll to FY2008.
- Departments will not be able to process any FY2008 CRs against prior year receivables until the department's receivables roll.
- CTR will not process any Bank of America CMCR lockbox CR transactions until after the department's receivables roll.
- MMARS Warrant Intercept processing against delinquent receivables will be suspended on July 1, 2007 until all FY2007 receivables roll.
- RE guidance for Federal Grants and the Federal Highway Administration is addressed under the Federal Grant Section of this Open and Close Document.

Each business day throughout the year Departments should be reviewing the Document Catalog and cleaning up any REs and CRs that are not in Final status (successfully submitted). Departments should review all FY2007 CR or RE documents that are in Held, Ready, or Reject Status and make the necessary corrections prior to June 23rd.

Reports that can assist departments in reviewing their Accounts Receivable activity are:

- NGA208W – Cash Received and Allocated
- NAR410SD - Detailed Aging Receivables by Dept Unit and Billing Profile
- NAR401W - Accounting Receivable Detail Transaction Activity.

Summary Receivable Modification Guidance

Maintaining One Summary Receivable across Fiscal Years

Departments that post one summary receivable and maintain it across fiscal years need to understand the difference in adjusting their outstanding receivables in MMARS.

Receivables are modified (increased and/or decreased) by completely blanking out the dollar figure on the accounting Line Amount and entering the new actual amount. When estimating the account receivable amount for the new fiscal year, a department will need to add the previous billed amount (which is the current Line Amount) to the new estimated amount and use that as the new amount on the accounting line.

For example: If a summary receivable was billed for \$1,000,000 in fiscal year 2007 and a department wants to estimate the new billed amount to be increased by "\$1,500,000" for fiscal year 2008, the department will need to modify the existing accounting Line Amount field to "\$2,500,000". This number represents last year's billed amount -- \$1,000,000 --, which is added to the new years, estimated billed amount -- "\$1,500,000".

Receivable Roll Information

FY 2007 RE document accounting lines with open balances are rolled into the new fiscal year. This means that any RE that has at least one line with a Line Amount greater than the line's Closed Amount will roll into the new fiscal year.

Because only those RE's in a Final status with an open balance will roll, it is imperative that departments ensure that all FY 2007 RE, RE modifications and CR's referencing RE's are in FINAL status prior to 7/7/2007.

1. Create a new RE Modification version.
2. Add the text "Roll Document from 2007 to 2008" to the RE Header Document Description field.
3. Increase the Budget Fiscal Year value on the open RE line (only this line) from 2006 to 2007.
4. Select an RE line Reason Code of "ROLLRE".
5. Create one Posting Line that Credits Billed Earned Revenue in BFY2007 and one Posting Line that Debits Billed Earned Revenue in BFY2008.

The result of rolling the open RE lines is a decrease to the Billed Earned Revenue on the BQ82 tables in BFY2007 and an increase to the Billed Earned Revenue in BFY2008

The CTR Revenue Bureau will contact departments who use the RE document during the month of June to assist in document cleanup as well as confirm the exact roll date for each department. RE's created as a result of automated central draw transactions related to federal grants will not be rolled.

Cash Reconciliation

The concept of cash reconciliation has not changed. The sum of cash deposits (CDs) for the end of the fiscal year must equal the sum of cash receipts (CRs) at the end of the fiscal year regardless if they reference a receivable.

Monthly Cash Reconciliation

Bank statement deposits must be reconciled to cash deposits on a monthly basis. Please note that a deposit made on the last day (or close to the last day) of the month may not appear on that same month's bank statement.

Tools for Cash Reconciliation

Departments have a variety of tools available to accomplish their reconciliation. The MMARS central revenue budget table BQ82 level 3 lists the deposits (CD) and allocated revenue (CR). These transactions can be accessed by clicking on the hourglass under the collected earned revenue or the collected/unearned revenue fields. The M_GA_Accounting_Journal from the Information Warehouse can be queried to list both deposits and allocated revenue by accounting period if you choose to do so.

To ensure that cash and revenue are properly reflected, departments can also use Report NGA208W - Cash Received and Allocated, which replaces the former 469A report for cash receipts; and Report NAR401W – Accounting Receivable Detail Transaction Activity, which replaces the former 430A report for details.

Transactions That Collect and Transfer Cash

In MMARS, cash deposits (CDs) post funds to a department's sweep account. The cash receipt (CR) and the internal document (IT) apply cash against receivable and/or transfer cash to a central revenue budget. When reconciling cash received, departments must take into account both the CR and IT transactions (discussed in detail below). The CR transaction that has an adjustment reason code of non-sufficient funds (NF) has reversed cash from the receivable back to the sweep account. Both the CR and the non-sufficient fund CR can be viewed in the M_GA_Accounting_Journal. Departments can query event type code AR02 (collected earned revenue). Pull in the adjustment reason field and enter "NSFCHECK" as the criteria to view non-sufficient fund CRs. If this field and criteria are not entered, you will not know which CR reversed cash due to insufficient funds.

Schools that book trust funds on their summary receivable and post cash using a Receipt of Trust (RT) against the summary receivable can query collected revenue by using the event type AR02.

CR Guidance

Cash Receipts

Cash receipts on hand or on deposit as of June 30, 2007 are FY2007 assets and revenue of the Commonwealth and need to be reflected as such on the annual financial statements.

Final deposits for June 30th collections must be posted by the bank by noon on Monday, July 2nd 2007. To ensure that all deposits reflected in clearing accounts are properly posted for the FY2007 closing, departments should enter CRs at the same time that the deposits are made for cash received through June 30th. All clearing accounts (fund 0699) must be zeroed out by the close of period 12. Departments needing assistance should contact the General Accounting Bureau.

Treasury (TRE) will process sweeps to properly credit deposits received by noon on July 2nd. In the event that funds deposited with the bank by noon July 3rd are swept late or posted to the opening year by TRE, the Comptroller's office will work with TRE to adjust these funds back to FY2007.

All FY2007 CRs should be entered by July 7th and must be marked Period 12 AFY 2007 and BFY 2007. Care must be taken in preparing CRs either manually or through an interface so that they are marked with the proper fiscal year.

Please note: Adjustments for cash will be made ONLY with proof of deposit, i.e., a deposit slip/receipt, stamped with date/time, by the bank.

Cash Management Central Remit (CMCR) Lockbox and Electronic Payment Processing

Deposits received at all sponsored lockbox banking facilities by 11:59 p.m. on Saturday, June 30, 2007 will be recorded in MMARS as FY2007 revenue. The bank will provide CTR two separate deposit files: one for collections received by 11:59 p.m. on June 30; and one for those received 12:00 midnight and after on July 1.

Deposits received through the ePay process by 11:59 p.m. on Saturday, June 30, 2007 will be recorded in MMARS as FY2007 revenue. The ePay vendor will provide CTR two separate deposit files: one for collections received by 11:59 p.m. on June 30; and one for those received 12:00 midnight and after on July 1.

CTR and Departments will reconcile the lockbox and ePay deposits to MMARS to ensure that the deposits have been recorded in the appropriate fiscal year. CTR will make any corrections.

Reports that Departments can use to reconcile their lockbox and ePay CRs and deposits are the NAR402SD - CR Generation Report; and NAR403BD - Master Lockbox Daily Deposit Report.

Credit Balances

Departments are encouraged to apply the credit to outstanding REs or issue refunds to customers before 6/30/2007. However, the customers with credit balances can be found on the Customer Account Table (CUSTA) under Unreserved Credit Balance. This will automatically have the cash placed in the balance sheet account # 2257. This will roll the money to the next fiscal year and allow departments to apply the credit to future REs or issue a refund.

Payment Plan Guidance

All cancelled PSCHD records associated with a receivable that has an open balance must be marked "ready for deletion" by June 30, 2007. If the records are not marked for deletion and the receivables roll to the new year, you will not be able to modify the RE in the new year because you will receive the error message "RE is associated with a payment plan". In order to prevent this, please select "ready to be deleted" for all cancelled PSCHD records with an open RE balance.

Intercept Reconciliation

The internal document (IT) records an intercept and applies cash against a receivable and/or transfers funds to a central revenue budget if not referencing a receivable. This document also records and transfers the CTR and DOR fee (if any) to the appropriate central revenue budgets. The IT document is always processed to a final status unless there is a change in the debt amount. Departments no longer have to wait for cash to clear. Receivables are automatically reduced

the same night an intercept is recorded, and/or cash is transferred to a central revenue budget the same night of the intercept for non-receivable entities.

Departments can query IT's in the Information Warehouse by requesting security for the M_GA_Accounting_Journal_IT. IT's intercepted against the disbursement chain have a document department header code of "CTR". Departments must query on the department line field in order to ensure that they are viewing only their intercepts. The IT's also appear on the NGA208W.

Intercept Refunds

Departments that have had an intercept against a MMARS receivable and need to refund the debtor can process a refund type one (RF1) referencing the receivable revenue budget (event type AP10). Departments cannot reference the IT document on the refund. Rather, they should enter the IT document number of the incorrect intercept in the description field under the accounting line section for audit purposes. This field can be queried if needed in the future. This action does not reverse the cash that has been applied against the receivable.

Revenue Refunds Type One

Departments that have processed a revenue refund and have referenced the CR on the refund type one (RF1) to reverse the payment applied to a receivable will notice that the refund type one (RF1) is not backing out the cash against the receivable. The receivable appears as closed with a payment being applied. Once the refund type one has been processed, the cash is refunded. Departments will need to use the forward reference keys on the receivable to follow the audit trail of the refund.

Departments can view their revenue refunds (RF1) by querying the M_GA_Accounting_Journal and including the event type code AP08.

Refunds processed due to an overpayment are not affected by this business policy. Overpayment refunds reference the overpayment line of a CR, which is event type AR40 should be processed 6/30/2007.

Write-Off Guidance

All write-off requests must be sent to the Revenue Unit in the Accounting Bureau in writing by June 8, 2007, attention [Susan Tribble](#), in order to be approved for FY2007. Departments that have a large number of write off requests (over one hundred receivables) will be required to interface a write off file once their write off request has been approved. Departments requiring adjustments after the close of period 12 should contact the Accounting Bureau at CTR.

Prior to submitting a write off request, departments, unless legislatively authorized, must attempt to collect the debt either through intercept, debt collection or both.

The following guidelines are to be used for departments requesting a write off:

- The account receivable(s) being written off must be on BARS. If not on BARS, a reason must be specified.
- Departments must submit a formal letter and include a copy of the write off request form (also available in the Knowledge Center).
- Original evidence documentation must be submitted with the request showing that diligent efforts were made to collect. Types of evidence documentation may include a debt collection agency's close and return report, bankruptcy rulings, the use of intercepts, etc.
- If a department does not have evidence documentation for their request, the department must provide a copy of their legislative authority preventing them from using any type of collection methods.
- Debt Collection Agencies may not refer any debt directly to the Office of the Comptroller to be written off.
- Requests that do not have sufficient documentation and/or are partially completed will be returned to the department for completion.

The write off transaction (WO) automatically reduces to zero the remaining debt of a receivable event. Departments can view their write offs by querying the M_GA_Accounting_Journal and entering event type code AR86 and a classification code of 15.

Debt Collection

The Debt Collection statewide contract -- PRF28designatedOSC -- was implemented on August 1, 2006. All information about this contract and how departments may participate in it is available from the www.comm-pass.com website. If after reviewing this information Departments continue to have questions, they should send them to: debtcollectioncontract@massmail.state.ma.us.

The Commonwealth's statewide contract for debt collection services engages private entities to collect outstanding debt on behalf of the Commonwealth. All FY2007 collections made by a debt collection agency on behalf of a department must be deposited into the department's approved bank account by noon July 1, 2007. Departments should remind debt collection agencies of this deposit requirement to ensure accurate accounting of FY2007 debt collected.

Departments also need to remind debt collection agencies that reporting and invoicing requirements may differ from their normal reporting/invoicing schedule, but are required for proper fiscal year end closing: No later than July 6, 2007 the debt collection agency must submit the required standard electronic debt collection report and invoice for all debt collected through June 30, 2007. Departments should review this information for accuracy and process any resultant payment vouchers no later than July 6, 2007.

New Initiatives

Electronic Payments (ePay)

Part of the Commonwealth's eGovernment Initiative includes a program for accepting electronic payments from vendors and contractors. The Statewide Contract for Electronic Payment Processing Services (PRF05designatedOSC — formerly ST2J101), gives eligible Commonwealth entities the option to offer their customers a variety of payment methods. Customers may pay for goods, services and other obligations via Automated Clearing House transactions (ACH,) credit cards (VISA, MasterCard, Discover and/or American Express), and PIN debit cards. The "ePay" transactions can be processed over the web, over the phone via Interactive Voice Response (IVR), or in person using point of sale swipe terminals. CTR, with designation from OSD, administers the contract.

All eligible entities' transactions processed under this Statewide Contract will be included in the Commonwealth's purchasing totals, which with increased use may result in volume discounts for the Commonwealth.

- Required Users: Executive Offices, Departments, Agencies, Offices, Divisions, Boards, Commissions, or Institutions within the Executive Branch.
- Optional Users: The Legislative Branch, the Judicial Branch, the Constitutional Offices, Elected Offices, Public Institutions of Higher Education, and the Military Division are not required, but may choose to use this Statewide Contract as the more entities that are involved with the contract the lower the pricing will be reflected in the future. Cities, towns, municipalities and State Authorities may also choose use this Statewide Contract.

All departments collecting Commonwealth revenue are required to comply with accounting standards established by the Comptroller to ensure that the revenue is properly accounted for and the collection methods comply with state finance law, including Payment Card Industry (PCI) Compliance and any additional banking requirements of the State Treasurer's Office. Departments that are collecting revenue electronically (that are not already working with the Electronic Payments Steering Committee) should contact CTR to verify compliance. Please contact [Patricia Davis](#), ePayment Program Coordinator.

The Statewide Contract for ePay has (4) four vendors:

1. EDS – a full service electronic payments processor that provides the Internet and IVR applications for electronic payments and partners with CoMerica Bank for ACH anking network payments and

partners with Bank of America for credit card payments.

and (3) credit card contractors:

2. Bank of America (BoA) – representing VISA and MasterCard credit card
3. Discover Financial Services (Discover Card) and
4. American Express (AMEX) -- who can process their own credit card transactions without going through Bank of America.

The range of services EDS provides, in partnership with Bank of America for credit cards and Comerica Bank for ACH, includes:

- Acquiring transactions through the Internet and/or IVR (interactive voice response), if required (see above).
- Forwarding authorization requests to the card issuing banks.
- Returning confirmation of authorization approvals to the customers.
- Validating bank routing and transit numbers.
- Forwarding MasterCard and VISA transaction data for clearing and settlement with the bankcard associations.
- Forwarding Discover, American Express, and ATM transaction data to the respective card companies for clearing and settlement.
- Forwarding ACH transactions in standard NACHA formats to ACH financial institutions.
- Providing to the Commonwealth all remittance data files and financial control reports corresponding to the Internet and/or IVR transactions.

The value to the Commonwealth in contracting with EDS to perform these services includes the following benefits:

- Wide range of service levels and mix of payment methods offered.
- Web sites customized to Departments' needs, if required.
- 24 x 7 technical support of the payment system -- Departments do not need staff to maintain the system.
- Capacity to handle increasing volumes, as well as peaks in payments.
- Files sent to update the Departments' accounts receivable or billing systems as well as updates to MMARS.
- Complete end-to-end reporting.
- Fraud prevention.
- Secure storage data.
- Pay-by-phone scripts customized to Departments' needs.
- Ease of reconciliation.

Each individual Commonwealth Department requesting and accepting electronic payment processing (ePayment) services shall be solely legally responsible for payment of that Department's obligations under the Contract, subject to sufficient appropriations and allotments, and the Contractor(s) may not seek payment of such obligations from the Office of the State Comptroller or any other Commonwealth Department, nor shall any Commonwealth Department have any legal obligation to make payments for ePayment services other than the Department requesting and accepting such services.

When a Department agrees to accept ePayment services, the Department certifies that prior to the beginning of each fiscal year, and during the fiscal year, the Department shall be responsible for taking the necessary steps to ensure that there are sufficient funds for payment of these ePayment fees and chargebacks. Departments should work with the electronic payment processing Contractor(s) to determine an estimated amount of fees and other costs for each fiscal year based upon historical or anticipated ePayment usage. Departments will be required to encumber or set aside, at a minimum, this estimated amount of funds for ePayment fees and costs. Departments will be required to suspend acceptance of ePayments whenever the Department anticipates not having sufficient funds for ePayment fees and costs. Seeking funding after the fact through the deficiency process or prior year deficiency process shall not be considered an appropriate funding mechanism.

Departments can choose which payment options they want to use; they are not required by the contract to offer all forms of payment or credit card types. In addition, the same Department may have different programs requiring different payment solutions, card types, etc., all of which can be accommodated.

Calculating the fees to be charged when using electronic payment processing services can be complicated. Departments interested in using the Contractors should go to the contract's website which is available on the [Comm-PASS website](#) and search for PRF05designatedOSC.

For additional information or to participate in this contract, contact [Patricia Davis](#).

New Functionality to Accounts Receivable Invoice, Statement and Renewal Forms Helping to Facilitate ePay

CTR has added new functionality to Accounts Receivable forms to help citizens and businesses utilize ePay. A new field has been included with a 10 digit ID on all Accounts Receivable forms called "ePayment ID." Instead of requiring payers to type in the lengthy 20 character RE document ID, the ePayment ID may be entered into a department's website that accepts ePay. CTR has worked with the ePay vendor to ensure the ePayment ID will be able to process all required reference Receivable, Customer Account, and accounting distribution information needed to process the payment. The ability for all Accounts Receivable department payments to be made online is scheduled to be rolled out in FY08. Additional functionality is forthcoming.

Payment Card Industry Compliance (PCI) Initiative

In September of 2006, the leading credit card brands formed an independent council to manage the Payment Card Industry (PCI) Data Security Standard (DSS). Visa International, MasterCard Worldwide, American Express, Discover Financial Services, and JCB saw the need to secure payment account data in a globally consistent manner. All merchants (Commonwealth departments) and service providers (in some cases, ITD; also third party providers like EDS) that conduct credit card business, regardless of channel, must demonstrate PCI compliance. These mandatory requirements encompass:

- Technical requirements for secure storage, processing, and transmission of cardholder data.
- Common industry tools and measurements to ensure safe handling of sensitive information.
- An actionable framework for developing a robust account data security process—including preventing, detecting, and reacting to security incidents.
- Auditing and scanning procedures.

In the coming days, CTR will initiate a procurement to identify Qualified Security Assessors (QSVs) and Approved Scanning Vendors (ASVs) to assist departments in achieving PCI compliance and validation, to estimate scope and costs, and identify funding.

See the [PCI Security Standards Council website](#) and the [PCI Compliance Guide](#) for general information, or contact [Patricia Davis](#).

Section Eleven

GAAP and Fixed Assets

Section Introduction

This section outlines GAAP and fixed asset requirements for departments, as well as special instructions for Higher Education Institutions.

Generally Accepted Accounting Principles (GAAP)

Since FY1986, the Commonwealth has issued an audited Comprehensive Annual Financial Report (CAFR) with financial statements prepared according to Generally Accepted Accounting Principles (GAAP). Since FY1990, the CAFR has received unqualified opinions from the independent auditors, and the CAFRs for FY1990 through FY2005 have been awarded the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting. The FY2006 CAFR has also been submitted to the GFOA Certificate of Achievement Program. These GAAP-based CAFRs, and their recognition for excellence, are increasingly important to the financial community as a measure of the Commonwealth's fiscal responsibility. **The quality of CAFR financial information depends upon individual and department efforts to prepare timely and accurate GAAP reporting packages.**

The basic FY2007 department GAAP instructions will be issued by May 25th. The GAAP reporting package is due back to CTR **by August 6th 2007**. Any department that submits their information after this deadline may be subject to an audit finding.

Encumbrance management practices will again be relied upon to provide the basis for most accounts payable reporting. Departments that prepare GAAP information beyond the basic GAAP Department reporting will be contacted individually to review and coordinate FY2007 special GAAP reporting.

As in prior years, separate GAAP Instructions will be published to provide a detailed walk-through of procedures and sample forms/reports to be used. Major points of emphasis will be:

- 1). Use of queries/CIW reports to support analysis of accounts receivable, allowances for uncollectible and deferred revenue. Special assistance will be provided to departments with complicated reporting issues. All accounts receivable adjustments must be entered in MMARS by July 6, 2007 to facilitate the Accounts Receivable roll to FY2008.
- 2). Timely departmental review and update of HR/CMS data to support accurate compilation and audit of compensated absence accruals.

Fixed Assets

Departments that own fixed assets are responsible for recording all acquisitions, betterments, changes, transfers, and dispositions for GAAP fixed assets and for a physical inventory of non-GAAP fixed assets. Please refer to the [Fixed Asset policy page](#) of the CTR Web Portal for additional information.

- Departments should process all FA documents within seven days of the acquisition of the asset or FA "Shell" generation. In addition, departments are required to process any subsequent Fixed Asset related documents (FC, FD, FI or FM) in a timely manner. All Fixed Asset transactions must be done in MMARS by July 9th, 2007. Any FY2007 transactions processed after July 9, 2007 may be subject to an audit finding.
- The FC/FI documents require a CTR Work list approval. Copies of the FI/ FCs "Accounting Section" should be forwarded to [Trish McKenna](#). Supporting documentation must be submitted with any FI / FC.
- Non-GAAP Fixed Assets must be inventoried and controlled in accordance with the policy posted in the Policies/Procedures section.

The following reports have been added to the list of Fixed Asset Reports and are available to departments on View Direct and/or Document Direct.

List of Current Fiscal Year Fixed Asset Reports

NGA150WD	Fixed Asset Detail Report (A complete list of all GAAP & Non-GAAP assets)
NGA150WS	Fixed Asset Summary Report
NGA151WD	GAAP Fixed Asset Detail Report
NGA151WS	GAAP Fixed Asset Summary Report

Special Higher Education Reporting

Statutory Basis

In FY2007, MMARS detail by Institution for non-appropriated funds will again be included in the Commonwealth's Statutory Basis Financial Report (SBFR).

To meet the publication deadline of October 31st for the SBFR, institutions must:

- Complete the MMARS posting of FY2007 statutory basis non-appropriated receipts and disbursements by the end of July. After the close of period 12, special coordination with CTR will be required. Departments should enter document, coded with Accounting Period 13, 2007. Departments should then contact CTR for final processing.
- For Fund 0901, provide supplemental information for statutory accounts payable by August 6, 2007.
- On or before September 10th, submit fixed asset information and operating and capital lease information for the Commonwealth's SBFR. The fixed asset information should include the amount of fixed assets acquired from capital leases. This information will be disclosed in the notes to the audited financial statements of the Institution.
- All higher education institutions must submit the federal student loans schedules and the guaranteed student loan schedule by September 10, 2007.

By August 31st all FY2007 Higher Education activity through June 30, 2007 should be posted to MMARS. By September 7th, review MMARS BQ82 Table (Revenue) and BQ89 Table (Expenditures) to identify all revenues and expenditures in Funds 0900 and 0901. (See the [Higher Education Guidance](#) for further information.) This will provide the basis for final reconciliation between MMARS non-appropriated information and each institution's internal system. The due date for final reconciliation is September 10, 2007.

Delivery of Information

All institutions will issue FY2007 audited financial statements in accordance with AICPA-GAAP. These audited financial statements must be issued and received by the Comptroller's Office by October 15, 2007, with an unqualified opinion. The institution must meet the MMARS statutory reporting requirement financials, and a separate analysis related to the *Schedule of Federal Financial Assistance*. The reconciliation must be reviewed by the institution's independent auditors and noted in the footnotes to the financial statements. The [Higher Education Guidance](#) issued by the Comptroller's Office is still applicable. ...

Schedule of Key Dates – Higher Education

Event	Date
Preliminary HMBEN008 Compensated Absence Information (as of April 30) available on View Direct for review	May 11, 2007
Final HMBEN008 Compensated Absence Information Available on View Direct	July 20, 2007
Higher Education Statutory Accounts Payable (Fund 0901)	August 6, 2007
Higher Education Federal Financial Assistance Schedules Distribution	August 6, 2007
Complete posting Higher Education activity on MMARS	August 31, 2007
FY2007 Encumbrance Lapsing	September 1, 2007
Review Preliminary Revenue and Expenditures Tables	September 7, 2007
Completion of FY2007 Higher Education activity through June 30	September 10, 2007
Higher Education Fixed Asset and Lease Information	September 10, 2007
Higher Education Federal Financial Assistance Schedules Due	September 10, 2007
Review Final Revenue and Expenditures Tables	September 19, 2007
Higher Education Audited Financials Due	October 15, 2007

NEW GASB Statement 49 Implementation**

The Government Accounting Standards Board (GASB) has released Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations*, applicable starting in FY2008. **However current issues need to be reported as of June 30, 2007. Questions will be inserted in the GAAP package sent to departments about any environmental or pollution remediation activities.**

The Commonwealth will be required to estimate the component of expected pollution remediation costs and determine whether those components need to be accrued for GAAP purposes as a liability or capitalized as a fixed asset **if one of any of these five events occur:**

1. The Commonwealth is compelled to take pollution remediation action because of an imminent endangerment
2. The Commonwealth violates a pollution prevention – related permit or license
3. The Commonwealth is named, *or evidence indicates that it will be named*, by a regulator as a responsible party or *a potentially responsible party* for remediation, or as a government *sharing responsibility for costs*.
4. The Commonwealth is named, *or evidence indicates that it will be named*, in a lawsuit to compel participation in pollution remediation. Or,
5. The Commonwealth commences or legally obligates itself to commence pollution remediation.

All instances that meet any of these five criteria must be reported as part of the internal controls questionnaire and as part of the GAAP package. Depending on facts and circumstances, property involved with these costs may be bettered as a fixed asset or accrued as a liability. A policy and procedure will be out later in the spring on these costs and treatments.

NEW GASB Statement 48 Implementation**

The Government Accounting Standards Board (GASB) has released Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, also largely applicable starting in FY2008. **However current issues MAY need to be reported as of June 30, 2007 if proceeds from a sale relate to future revenue streams. Questions will be inserted in the GAAP package sent to departments about any receivable sales activities (likely to be with Institutions of Higher Education, but may be in other departments.)**

The Commonwealth will be required to specially report on sales of future streams of revenues that it is entitled to. An assessment must be made if the Commonwealth will continue to be involved in the receivable due, even after a transfer based on the amount of residual control the Commonwealth may have. The difference in control is part of the determining factors of whether or not the transfer of revenues or receivables is a sale, resulting in a GAAP asset, or a collateralized borrowing, which results in a GAAP liability.

An asset is created from a sale if the Commonwealth's involvement in the future revenues or receivables is effectively terminated. Termination occurs if all of the following exist:

1. The buyer (transferee) of the revenues / receivables has the ability to resell those funds without Commonwealth involvement or restriction
2. The Commonwealth cannot substitute specific accounts receivable without the buyer's consent
3. The sale is not cancelable by the Commonwealth or the buyer
4. The sale is more than an "arms length" transaction.

More than an "arms length" transaction means that the buyer has to be a separate legal entity, including separate bank accounts that the Commonwealth cannot access. Furthermore, the buyer should be protected from any creditors who would attempt to attach those transferred receivables or revenues. Sales of future streams of revenues have similar provisions, but are largely not applicable to departments. Should these occur, please contact the BJ Trivedi of the Financial Reporting and Analysis Bureau immediately with the details. If the transfer does not fit to any of the previous criteria, then the transfer is a collateralized borrowing. These also should be very limited in occurrence and should be reported to BJ Trivedi as well.

FY2008 Opening

Generally Accepted Accounting Principles (GAAP)

GAAP reporting and Higher Education special reporting occurs at the end of the fiscal year. There are no special opening requirements.

Fixed Assets Reporting Departments Other Than Higher Education

MMARS fully supports the departmental entry of fixed asset documents (acquisitions, betterments, transfers, dispositions and modifications). The MMARS Fixed Asset acquisitions are fully integrated with Accounts Payable via a more robust use of commodity codes. Functionality includes: Automated depreciation, improved audit trails, enhanced Construction in Process accounting and linkage between all payments, partial or full, and its fixed assets.

MMARS provides a direct link between commodity-based purchases and the Fixed Asset acquisition. A payment (PRC payment request document) in MMARS that references a fixed asset sensitive commodity code and meets a certain dollar threshold automatically generates a pending fixed asset shell, to be completed by the department. In some instances, such as when a fixed asset is received through a donation or for the optional recording of a non-GAAP fixed asset, MMARS offers the opportunity to generate a fixed asset manually. The table below notes the fixed asset commodities and associated minimum capitalization thresholds where a fixed asset shell will be automatically generated after a payment is processed in MMARS.

Fixed Asset Commodities & Minimum Capitalization Thresholds

Commodity	Code	Minimum Capitalization Threshold
Building	B	\$100,000
Equipment	E	\$50,000
Works of Art / Historical Treasures / Monuments	H	\$50,000
Infrastructure	I	\$100,000
Computer Software < \$1 million but > \$50,000	K	\$50,000
Land	L	\$0.00
Software > \$1 million	S	\$1,000,000
Vehicles	V	\$50,000

Higher Education

If prearranged in advanced, and approved by the State Comptroller, Higher Education Institutions may choose not to record fixed assets on MMARS; as long as institutions issue separate and independent audits, completed and filed with the Office of the Comptroller on or before October 15th annually. These eligible institutions must have an auditable fixed assets system available for inspection by CTR. At a minimum, the system must be capable of tracking additions, betterments, changes, disposals, with gains and losses thereon; among other necessary requirements.

FY2008 GAAP Pronouncements to be Implemented

In FY2008 three GAAP Pronouncements will be implemented. The Three are:

- GASB Statement 45 – *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*
- GASB Statement 48 – *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*
- GASB Statement 49 – *Accounting and Financial Reporting for Pollution Remediation Obligations*

The Governor has proposed legislation to fund Post –employment Benefits Other Than Pensions costs. Additional guidance will be available upon legislation becoming effective. Guidance is also forthcoming on Statement 48 and Statement 49.